

**Economic Plans and the Evolution of Economic Nationalism in
Siam in the 1930s**

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Abstract

This thesis is concerned with the economic plans of Siam and the evolution of economic nationalism in Siam in the 1930s, but particularly the period from the overthrow of the absolute monarchy in June 1932. The opening chapter outlines the main themes of the thesis. Chapter 2 provides an outline of the main features of the Siamese economy in the 1920s and 1930s, and examines the main analyses by Thai and foreign scholars of the origins of Siamese economic underdevelopment. Chapter 3 is concerned with the economic plans of Mangkorn Samsen, Pridi and Phra Sarasas, while chapter 4 is concerned with a number of the less important economic plans introduced at that time. These plans were submitted by various groups, not only the Siamese élite but also the middle class. Chapter 5 examines more analytically all these plans, in the context of the evolution of economic nationalism in the inter-war decades. There are three views on the origin of economic nationalism in Siam: that it developed in the reign of Rama 6 (1910-1925), in the constitutional revolution in 1932, or as part of Phibun's nationalism in 1939. These views ignore the relationship between the three periods of economic nationalism. This study shows the continuity and discontinuity in economic nationalism between these periods. Chapter 5 further examines the role of the middle class. Chapter 6 considers the development of the co-operative movement in Siam from 1917, while chapter 7 focuses on the various plans and proposals in this period to establish a central bank. Chapter 8 is the conclusion.

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Introduction

There are three main aims of this thesis. Previous studies of economic plans and economic nationalism in Siam after 1932 have focused mainly on Pridi. In particular Pridi's plan has been examined by many Western and Thai scholars, which might suggest that the main economic arguments after 1932 concerned only Pridi's plan. But there was very considerable economic discussion and Pridi's plan was simply one, if perhaps the most important, plan. Drawing attention to other plans and authors would make some contribution to an understanding of the economic discussion which took place after 1932.

Earlier studies of Pridi's plan included those by Landon (1939), *Siam in Transition: A Brief Survey of Cultural Trends in the Five Years since the Revolution of 1932*, New York: Greenwood; Thak Chaloemtiarana (1978), *Thai Politics: Extracts and Documents 1932-1957*, Bangkok: Social Science Association of Thailand; Duan Bunnag (1974), *Than Pridi ratthaburut awuso phu wang phaensethakit Thai khonraek* (Pridi, Elder Statesman and First Planner of the Thai Economy), Bangkok: Samakkhitham Publications. They reproduced the plan in full as an appendix or in a document.¹ The main reasons why Pridi's plan has attracted so much attention are Pridi was one

¹ Kenneth Perry Landon, *Siam in Transition: A Brief Survey of Cultural Trends in the Five Years since the Revolution of 1932*, New York: Greenwood, 1968, see Appendix III, pp.260-323. Thak Chaloemtiarana (ed), *Thai Politics: Extracts and Documents 1932-1957*, Bangkok: Social Science Association of Thailand, 1978, pp.108-237. Duan Bunnag, *Than Pridi ratthaburut awuso phu wang phaensethakit Thai khonraek* (Pridi, Elder Statesman and First Planner of the Thai Economy), Bangkok: Samakkhitham Publications, 1974.

of the most influential leaders of the People's Party, he tried to introduce new ideas into Siamese society and his plan was so radical that it was attacked by the king, conservatives and foreign advisers. Many books on Pridi Phanomyong see his economic plan as his major achievement.²

Firstly the thesis will consider several other plans in addition to that of Pridi. Why did these plans appear after 1932? What were their contents? My study will focus not only on several important plans or ideas which have been found in the Thai National Archives but also on their authors. The plans and their authors should be examined more carefully for their new ideas. For example, Pridi introduced the concept of social insurance in his plan. Other important ideas were economic nationalism, state intervention in the economy and how to deal with the effects of the world depression. This will show why and how Siamese intellectuals, including the middle class, became aware of economic issues after the 1932 revolution. These people came from various social classes: not only government officials, M.Ps, lawyers, but merchants, clerks, journalists and farmers. Men such as Mangkorn Samsen and Phra Sarasas had much influence. Though their ideas were not fully implemented in the 1930's, later on some of their ideas, such as Phra Sarasas' argument for state intervention in the economy, were adopted. Pridi may have been one of the most important Thai intellectuals of that time but other figures should also be examined.

Recently other scholars have given attention to Mangkorn Samsen and Phra Sarasas but they do not fully describe their plans. For example, Pasuk and Baker (1995), *Thailand: Economy and Politics*, Kuala Lumpur:

² They include Vichitvong Na Pombhejara, *Pridi Banomyong and the Making of Thailand's Modern History*, Bangkok: 1979; Pierre Fistié, *Sous-développement et utopie au Siam; le programme des réformes présenté en 1933 par Pridi Phanomyong*, Paris and The Hague: 1969; Duan Bunnag, *Than Pridi ratthaburut awuso phu wang phaensethakit Thai khonraek* (Pridi, Elder Statesman and First Planner of the Thai Economy), Bangkok: Samakkhitham Publications, 1974; Suphot Dantrakun, *Chiwaprawat ratthaburut awuso Pridi Phanomyong* (A Biography of Pridi Phanomyong, the Elder Statesman), Bangkok: Prachakanphim, 1972-73; Supot Dantrakun, *Chiwit lae ngan khong Dr. Pridi Phanomyong* (Life and work of Dr. Pridi Phanomyong), Bangkok, 1971.

Oxford University Press, mention Mangkorn Samsen's economic plan: 'Nai Mangkorn Samsen proposed a national economic development plan which advocated an import-substitution strategy through devaluation of the baht and measures to promote indigenous firms.'³ Batson assesses the role of Phra Sarasas and mentions his economic plan in 1934, but only briefly.⁴

A more serious controversy was generated when Phra Sarasas attempted to put forward a form of national economic plan, reviving memories of Pridi's abortive plan of the previous year. Phra Sarasas' economic philosophy has been described as a combination of nationalism (reflecting economic doctrines adopted in many countries in the early 1930s) and socialism, and he strongly denied suggestions that his "General Economic Plan" was a return to a Pridi-type scheme; in particular, he rejected the fairly sweeping nationalisation of the means of production that Pridi had proposed and instead advocated a reliance on cooperatives and a limited amount of central planning of the economy.⁵

After the 1932 revolution, there were many suggestions from the public on political, economic and social matters, although their ideas were hardly implemented. Even so, after 1932, a much wider range of people contributed to public discussion of economic, political and social issues.

The second aim of the thesis is to explain why economic policy-making was so slow, in spite of the appearance of so many plans. Several political, economic and social factors caused the underdevelopment of Siam (this will be discussed in Chapter 2). For example, as a political factor, there was political instability in the 1930's, because of continuous conflict among various groups, conservative, moderate and extremist. This instability was caused in part by Pridi's economic plan in 1933, which sparked a fatal political conflict between the conservative and Pridi's group. The conservative group of Phraya Mano, the prime minister, could gain support from the senior military faction, led by Phraya Song, in opposing Pridi's plan as communistic. A committee that met to consider national economic policy

³ Pasuk Phongpaichit and Chris Baker, *Thailand: Economy and Politics*, Kuala Lumpur: Oxford University Press, 1995, p.115.

⁴ Benjamin A. Batson, 'Phra Sarasas: Rebel with Many Causes', *Journal of Southeast Asian Studies*, 27, 1 (March 1996), p.153.

⁵ Ibid.

on 12 March 1933 had a serious discussion of Pridi's plan and, in spite of opposition from a few conservatives, the majority of the members supported the plan.⁶ A power struggle took place between the State Council, dominated by the conservatives, and the People's Party and the National Assembly, which supported Pridi's plan. The conservative group was so afraid that the Assembly would pass Pridi's plan, that it issued a royal decree to prorogue the Assembly on 1 April 1933. On 2 April 1933, an 'Act Concerning Communism' was proclaimed. This act punished those who advocated communism with severe penalties, imprisonment for up to ten years. Section 3 defined communism as follows:

(1) "Communism" means the economic system or theory, which rests upon the total or partial abolition of the right of private property, actual ownership being ascribed to the community as a whole or to the State.

(2) "Communist doctrine" means any doctrine which implies the advocacy of nationalisation of land, or nationalisation of industry, or nationalisation of capital, or nationalisation of labour.⁷

The new government, formed by excluding the leading members of the civilian group including Pridi, advised Pridi to leave the country. Pridi left

⁶ 14 members attended; they were 1. Luang Kahakan Bodi, Secretary of the People's Assembly; 2. Luang Det Sahakon, Member of People's Assembly, 3. Luang Dechatiwong Wararat, Member of People's Party, 4. Phraya Song Suradet, Member of the State Council, 5. Thawi Bunyaket, Member of People's Assembly, 6. Naeb Phahonyothin, Member of State Council, 7. Luang Pradit Manutham, Member of State Council, 8. Prayoon Phamonmontri, Member of State Council, 9. Phraya Manopakon Nitithada, President of the State Council, 10. Phraya Ratchawangsan, Minister of Defence and member of State Council, 11. Wilat Osathanon, Member of People's Assembly, 12. Phraya Siwisan Wacha, Minister of Foreign Affairs and member of State Council, 13. H.S.H. Prince Sakon Warawan, Adviser to Ministry of Interior, 14. Luang Athasan Prasit, Member of People's Assembly. See Kenneth Perry Landon, *Siam in Transition: A Brief Survey of Cultural Trends in the Five Years since the Revolution of 1932*, New York: Greenwood, 1968, see Appendix III, p.303-318. Thak Chaloemtiarana (ed), *Thai Politics: Extracts and Documents 1932-1957*, Bangkok: Social Science Association of Thailand, 1978, pp.161-185. Duan Bunnag, *Than Pridi ratthaburut awuso phu wang phaensethakit Thai khonraek* (Pridi, Elder Statesman and First Planner of the Thai Economy), Bangkok: Samakkhitham Publications, 1974.

⁷ Kenneth Perry Landon, *Siam in Transition: A Brief Survey of Cultural Trends in the Five Years since the Revolution of 1932*, New York: Greenwood, 1968, see Appendix III, pp.251-2.

on 12 April 1933. The fear of losing power to the conservative group encouraged the People's Party to carry out a second coup to get rid of the conservatives who would bring back the absolute monarchy. The coup on 20 June 1933 was a success, and Phraya Mano, the conservative leader, was exiled to Penang.

A counter-revolution was attempted in October 1933, by the conservative group headed by Prince Boworadet, a grandson of King Chulalongkorn who had been Minister of War under Rama 6. The main reason for this attempted counter-revolution was the strong dissatisfaction of the royal favourites.

Most of these men were pensioned off by the new regime; others, while being retained in government service, were subsequently reduced to powerless positions. Hence, it was not surprising that these people harboured strong resentment against the new regime, and thus readily agreed to join the counter-revolution plot.⁸

This counter-revolution was a serious challenge to the new government because the rebels took Korat and several provincial army garrisons, such as Ayudhya, Saraburi, Nakorn Sawan, Ubon, Prachinburi and Petchburi. The rebels seized Don Muang airfield on 12 October and severe fighting took place between the rebels and the government between 13 October and 16 October in Bangkok. The quick and well-organised response by Lieutenant-Colonel Phibun brought victory for the government. Prince Boworadet fled to exile in French Indochina, and the other leaders were killed or escaped.⁹

The success in suppressing the rebels brought about several important changes in the government. First, the junior military group, particularly those around Phibun, increased their power dramatically. This means that the senior military group, notably Phraya Song, Phibun's main rival, lost power. As a hero of the People's Party, Phibun was promoted to

⁸ Thawatt Mokarapong, *History of the Thai Revolution: A Study in Political Behaviour*, Bangkok: Thai Watana Panich, 1972, pp.196-7.

⁹ Ibid. See details on pp.196-214.

Deputy Commander-in-Chief of the Army, and in 1934 was made Minister of Defence.

Second, the Boworadet rebellion provided an opportunity to wipe out the conservative-royalist opponents of the regime. Furthermore it brought about a further decline in royal power. Although there is no evidence that the King supported the Boworadet rebellion, his neutral attitude put him in a difficult position. After the King's departure abroad for an eye operation in January 1934, the conflict between the King and the government over the constitution grew. The King demanded the right to appoint second category members of the National Assembly, the right to grant pardons, and a royal veto over any laws which did not secure more than a two-thirds or three-quarters majority in the National Assembly. As there was no compromise on this issue the King finally abdicated on 2 March 1935. Political turmoil made it more difficult to fashion a coherent economic strategy.

Besides political instability, another reason for the slow implementation of economic policies was the absence of clear ideology within People's Party. The People's Party's only goal was to put an end to the absolute monarchy. The People's Party consisted of various groups, such as the army, the navy, the civilian junior factions and the army senior faction. The junior civilian group was led by Pridi Phanomyong, the ideological leader; the main leader of the junior army faction was Phibun; and the leaders of the junior navy faction were Luang Sinthu Songgramchai and Luang Suphachalasai. In the senior army faction there were four leaders: Phraya Phahon, Phraya Song Suradet, Phra Prasas Pitthayayudh and Phraya Ritthi Akaney. Because of their various educational and career backgrounds it was difficult to find a common ideology among them.

Dissatisfied with the inefficiency of the absolute regime, they found "democracy" the solution to every problem. To them, the word "Prachatiyatai" (democracy) promised everything - a wonderful system which could work miracles, and a panacea for every defect in the

government. They spoke much about democracy even though they did not clearly know what kind of democracy they were taking about. They were less concerned with its political implications, such as the problems of liberty and equality, than with the economic consequences which they believed would follow democracy. To them, democracy meant only one thing - modernisation and prosperity - which have been experienced by many democratic nations and which they professed to give to the nation.¹⁰

Concerning the economic factors, the political economy group, represented by Chatthip Narsupha and Suthy Prasartset, point to such internal factors as the existence of the sakdina system and to external factors such as imperialism as the long-term causes of underdevelopment. The sakdina system, meaning 'field power', had played an important role in Siamese society since the fifteenth century. In theory, perhaps initially, but then not literally, it allocated everyone from the royal family to slaves a number of units of measured rice fields, that is *rai* (2.5 rai = 1 acre). This came to represent the social hierarchy. For example, the allocation of sakdina varied from slaves, 5 rai, to the heir-apparent, 100,000 rai. In other words, the system showed each position and status by the amount of sakdina marks. The exploitation of the economic surplus of the farmers was carried out by the sakdina classes (the royal family and nobility). Furthermore, the King dominated the means of production (land, labour and capital) and economic initiative remained almost solely in the hands of the royal family and the élite, the sakdina élite-classes. Therefore it was difficult to generate a strong bourgeoisie as in Europe, who secured the economic surplus as well as political power. Chinese merchants mainly belonged to the bourgeoisie, but the crucial point is that they depended on the sakdina system to survive and pursue economic profit, because they lacked the political power. On the other hand, the King made use of the Chinese as tax farmers to collect the various taxes for him. This meant that Chinese tax farmers were absorbed into the sakdina system, and in some cases Chinese

¹⁰ Ibid., p.84.

merchants were appointed governors in the south of Siam, with fiscal authority, and some administrative and judicial power. Chatthip and Suthy note:

The politico-economic institutions in Siam were characterised by the existence of exploitation and the slow pace of institutional change. Exploitation of the surplus was the result of the monopolisation of the means of production, fertile land and capital funds, by the royalty, Sakdina lords and Chinese merchants.¹¹

The lack of fiscal autonomy and the presence of extraterritorial rights since the time of the Bowring Treaty in 1855 diminished government revenues even in the 1930s. Fixing import duty at 3 percent for all articles except opium and bullion, and setting specific export duties left the Siamese government with no control of its customs. Ingram explains why the government later tried to revise the treaties:

Thailand's efforts to reform her fiscal system centred around the campaign to revise the import duties. The government was convinced by foreign advisers and critics that a modern state should not receive 30 to 40 percent of its revenue from gambling and opium, and it was aware that the many export and inland-transit duties were harmful as well as inefficient. Yet if these taxes were to be abolished, something had to replace them. And not only more and more revenue was required. Increased duties on imports seemed to be the ideal solution. Such duties were easy to collect, their yield would rise as trade increased, and the duties would tend to fall on those who purchased the imported goods. Furthermore, in view of the importance of subsistence agriculture in Thailand, and the small amount of domestic production for sale locally, no satisfactory alternative form of tax existed. Direct taxation (land and capitation taxes) was as high as was practicable, and other taxes were precluded because they would violate some treaty provision, discourage domestic production, or prove impossible to collect.¹²

The breakthrough in the treaty negotiations came in the mid 1920s. In March 1927 a new tariff, with a general rate of 5 percent, came into force.¹³ However, against Siam's most important trading partner, Britain, the rate remained 5 percent ad valorem on cotton goods, iron and steel

¹¹ Chatthip Nartsupha, Suthy Prasartset, *The Political Economy of Siam, 1850-1910*, Bangkok: Social Science Association of Thailand, 1981, p.22.

¹² James C. Ingram, *Economic Change in Thailand, 1850-1970*, Kuala Lumpur: Oxford University Press, 1971, p.179.

¹³ *Ibid.*, p.183. Special ad valorem duties were put on: beer and wine (12 percent); manufactured tobacco (25 percent), and motor cars and equipment (10 percent). Kerosene, benzine, matches and sugar also faced specific duties.

manufactures and machinery for ten years. In other words, Siam could not impose a duty of more than 5 % on British imports until 1937, when Siam would gain full fiscal autonomy. It is thus important to note that during the 1930s, even after the constitutional revolution in 1932, Siam was not in a position to make full use of its custom revenues for economic development.

These reasons can explain Siam's economic underdevelopment in the 1930's. Besides political instability, a lack of ideology in the People's Party, and the lack of fiscal autonomy, there were other factors, such as a shortage of official experts and an inadequate system of government administration. In spite of sending many Siamese students to study overseas, the lack of sufficient men of talent in the government persisted in to the 1930s. Vichitvong points out:

The other factor which would have made any attempt (at development) a flop even before taking off, was the almost complete absence of scientific and technical manpower: the engineers, the scientists, the technicians, the accountants etc. In 1932 there could not be more than a few hundred people in this category, and practically all of them were engaged in government service. The acute shortage of these personnel was to continue for many years, perhaps until the 1960's. Thailand was late in recognising the significance of science and technology for economic development.¹⁴

Another problem was the misallocation of manpower and budget expenditure, and a slow response to the need for economic development.

The third aim of the thesis is to examine the origins of economic nationalism in Siam. It attempts to show that 1932 was a turning point in Thai economic history, for it marked a new beginning for Thai economic nationalism. There is an argument here regarding the relationship between political nationalism and economic nationalism in Siam. The problem is that economic nationalism did not appear as clearly as political nationalism in Siam. Moreover there are several views about the origins of political nationalism. That it appeared in the reign of Rama 6 (1910-1925), at the

¹⁴ Vichitvong Na Pombhejara, *Pridi Banomyong and the Making of Thailand's Modern History*, Bangkok: 1979, p.29.

constitutional revolution in 1932, or in the 'Rathaniyom' of the Phibun government from 1939. In these three periods, economic nationalism appeared as part of political nationalism. Although several scholars mention economic nationalism in these periods, there is no detailed analysis of the continuity or discontinuity between economic nationalism in each period.¹⁵

Harry Johnson defines nationalist economic policy in three points:

In the first place, nationalist economic policy will tend to foster activities selected for their symbolic value in terms of concepts of 'national identity' and the economic content of nationhood; in particular, emphasis will be placed on manufacturing. Secondly, nationalist economic policy will foster activities offering prestigious jobs for the middle class and/or the educated class. Thirdly, nationalism will tend to favour both extensive state control over and extensive public ownership of economic enterprises: state control provides employment for the educated directly, in the central control system, while both the control system and public ownership give the government social control over the allocation of jobs to nationals.¹⁶

Some scholars argue that the origins of economic nationalism can be traced back only to 1939, when Phibun was in power. For example, Kobkua suggests that:

The economic policy introduced during Phibun's first administration and more or less continued throughout his two premierships has been labelled as the policy of economic nationalism. Basically, it was an alternative programme to Pridi's Economic Plan which was rejected by the combined forces of the conservative wing of the People's Party and the old ruling clique in March 1932(3).....the promise given by the 1932 Promoters concerning the economic betterment of the people remained unfulfilled until Phibun emerged as Premier in December 1938. The new Prime Minister considered it a prime duty of the government to come up with an economic programme that would fulfil the economic pledge of the 1932 Revolution.¹⁷

It is a fact that Phibun promoted economic nationalism, but Kobkua does not explore its relationship to two earlier forms of economic

¹⁵ For example, economic nationalism in each period is considered as follows: in Rama 6, Walter F. Vella, *Chaiyo! King Vajiravudh and the Development of Thai Nationalism*, Honolulu: University Press of Hawaii, pp.167-175; in 1932, Suehiro Akira, *Capital Accumulation in Thailand 1855-1985*, Tokyo: Centre for East Asian Cultural Studies, 1989, pp.106-109; in 1939, Kobkua Suwannathat-Pian, *Thailand's Durable Premier: Phibun through Three Decades 1932-1957*, Kuala Lumpur: Oxford University Press, 1995, pp.144-151.

¹⁶ Harry Johnson, 'Economic Nationalism in New States' in John Hutchinson and Anthony D. Smith (ed), *Nationalism*, Oxford: Oxford University Press, 1994, p.239.

¹⁷ Kobkua Suwannathat-Pian, *Thailand's Durable Premier: Phibun through Three Decades 1932-1957*, Kuala Lumpur: Oxford University Press, 1995, pp.144-5.

nationalism, that of Rama 6 and of the constitutional revolution in 1932. B.J. Terwiel raised a fundamental question as to how political nationalism should be analysed in Thai history.

It has also been argued that historians of Thailand have tended to describe nationalism as being a feature of specific reigns and rulers, and that this practice appears to have had a detrimental effect on the study of Thai nationalism as a whole. The history of the various stages of an ideology such as Thai nationalism is not served by this 'on-off' approach. It is much better studied as a phenomenon that, once arisen (and we have argued for its origins to be placed in 1893), moves, changes and develops as one of a range of competing ideologies.¹⁸

Following Terwiel's point, this thesis traces the evolution of economic nationalism in Thailand through these periods. Terwiel raised an important question about economic nationalism in 1932:

Deignan and other contemporary analysts have rightly identified the advent of economic nationalism with the outcome of the 1932 revolution. The setting up of state enterprises, such as the import organisation of the Ministry of Defence (the Fuel Division) and the Siam Cotton Mill in 1933, are the first practical results of this policy. They have failed to observe, however, to what extent this new economic nationalism was linked up both with the much-publicized propaganda of the Sixth Reign and also with the development of a radical form of Thai nationalism.¹⁹

But although Terwiel identified a fundamental question, he did not fully explain it.

The main point here is to explore how the economic nationalism of Rama 6 changed from 1932. Rama 6 initiated political nationalism during his reign and economic nationalism was embedded in his political nationalism. For example, his anti-Chinese stance was clear. However, there should be more consideration of change and continuity in economic nationalism before and after 1932. Elite driven economic nationalism became mass-driven by various social groups after 1932. Did 1932 bring about a drastic change in the formation of public opinion? The crucial difference before and after 1932 is the change in the political system. Before 1932, under an absolute

¹⁸ B.J. Terwiel, 'Thai Nationalism and Identity: Popular Themes of the 1930s', in Craig J. Reynolds (ed), *National Identity and its Defenders: Thailand, 1939-1989*, Chiang Mai: Silkwood Books, 1993, p.144.

¹⁹ *Ibid.*, p.137.

monarchy, the political institutions were dominated by the royal family and the established Sakdina elites. Change took place after 1932, by establishing a constitution and the Assembly. In the Assembly, two types of MP, one elected, the other appointed, played an important role in discussing various political, economic and social issues. At the same time, the key members of the government were no longer from the royal family but were the promoters of the People's Party and competent bureaucrats of the old regime.²⁰ As a result members of the Party held ten of the fifteen seats in the Mano cabinet and had 33 of the 70 appointed members of the Assembly. This is referred to by Nakharin as the Samai Mai (New Age), before 1932 was the Samai Gao (Old Age).²¹ The new state (Rat Samai Mai) was a Nation-State. The reforms under Rama 5 (1868-1910) did not mark a break because the king controlled salaries, rank and the promotion of civil servants.²² The differences between the two periods are crucial to an understanding of the changing nature of economic nationalism in the 1930s.

Before moving to consider the Siamese intellectual ferment after 1932, the middle class must be examined in order to understand their background. Nakharin pointed to the emergence of various strands of the middle class before 1932. Using official statistics on occupation, he notes the spread of the middle class but he does not define them.²³ Further analysis of the educational and family backgrounds, salaries and occupations is necessary in order to illustrate the role of the middle class. According to the *Thailand Statistical Yearbook of 1929/30*, the number engaged in

²⁰ Eiji Murashima, 'Democracy and the Development of Political Parties in Thailand 1932-1945', in Eiji Murashima, Nakharin Mektrairat, Somkiat Wanthana, *The Making of Modern Thai Political Parties*, Tokyo: Institute of Developing Economics, 1991, p.6. Among the 99 promoters, 32 were army officers, 21 were naval officers, and the remaining 46 were civil officials.

²¹ Nakharin Mektrairat, *Kanpatriwat sayam ph.s.2475* (The 1932 Revolution in Siam), Bangkok: Mun nithi khongkan tamra sangkhomsat lae manutsayasad, 1992, pp.6-18.

²² *Ibid.*, pp.6-7.

²³ *Ibid.*, p.12. He used *Yotkanliangcip phonlamuang 17 Monthon ph. s. 2454* and *Thailand Statistical Yearbook 1929*.

commerce was 503,839, in services 367,105, in industry 164,526, and in the professions 93,967.²⁴ Nakharin shows that new occupations, such as builder, mechanic, foundry worker, photographer, welder, car repairer, brokers, tanners, had become more important after 1911.²⁵

There was Siamese intellectual ferment following the 1932 revolution. From the early 1930s petitions to the king paved the way for wider discussions. Before 1932, petitions were concentrated on how to deal with the effects of the world depression on Siam. The sharp drop of rice export prices in the early 1930s pushed the farmers into economic difficulty. In the early 1930s there were requests to reduce or postpone some taxes, such as the capitation tax and interest on debts, expansion of co-operatives and establishment of loan facilities for farmers.²⁶ This indicates that in the early 1930s, farmers and some of the middle class felt that the government must intervene in the economy.

After the 1932 revolution the contents of petitions became more diversified and a wider social class, particularly the middle class, now freely expressed their ideas. This was a reflection of their hopes for the new government. Their topics covered politics, administration, education, law, tax, religion, social and economic issues. After 1932, there were more constructive suggestions and ideas. For example, in political matters, the People's Party, the constitution, elections and the abolition of conferred titles were discussed. There were interesting suggestions on the dress code for civil servants.²⁷

In Phibun's government (1938-1944), *Rattha Niyom* (Cultural Mandates) was another movement to develop nationalism. The 12 *Rattha*

²⁴ Constance M. Wilson, *Thailand: A Handbook of Historical Statistics*, Boston, G.K. Hall Co., 1983, p.86.

²⁵ Nakharin Mektrairat, *Kanpatiwat sayam ph.s.2475* (The 1932 Revolution in Siam), Bangkok: Mun nithi khongkan tamra sangkhomsat lae manutsayasad, 1992, p.12.

²⁶ Ibid., pp.120-123.

²⁷ Ibid., pp.129-130.

Niyom were:

(1) the name of the country, people and nationality; (2) preventing danger to the nation; (3) the name of the Thai people; (4) saluting the national flag, the national anthem and the royal anthem; (5) the use of Thai produce; (6) the tune and words of the national anthem; (7) persuading the Thais to build their nation; (8) changing the word 'Siam' to 'Thailand' in the royal anthem; (9) the Thai language and the duty of good citizens; (10) the dress of the Thai people; (11) the routine work of the Thai people and (12) the treatment of children, the aged and the handicapped.²⁸

This top to bottom cultural nationalism was clearly different from earlier ideas and suggestions. Phibun's political aim was to educate the people to be 'civilised'.

Charnvit described the motivation of Phibun's nation building as follows:

As one of the original members of the 1932 coup Phibun inherited the general outlook and the political problems of the new elite. But within the group he was associated with the more radical activist factions. These people tended to see themselves as building a new society in Siam; in other words, Siam was, in their view, entering a period of "nation building". Since this period of "nation building" coincided with a time of world crisis, the Army must provide strong leadership for solving the problems facing the country. Phibun's own thinking, as suggested by his writings, focused on the need for powerful and authoritarian leadership.²⁹

Rattha Niyom can be said to have been a mixture of West and East. While preserving the glory of the Thai past, the West was clearly seen as the model. A typical example was in dress: there was the expectation for a man to wear a hat, jacket and long trousers, shoes and socks, and for a woman to wear a hat, skirt, blouse and shoes. Besides dress, the old habit of chewing betel-nut or sitting on the floor or on the ground was now considered outmoded, not suitable for a new Thai society: sitting on chairs and using forks and spoons was recommended.

Phibun's justification for this movement was to prevent 'Japanification':

²⁸ Thak Chaloemtiarana (ed), *Thai Politics: Extracts and Documents 1932-1957*, Bangkok: Social Science Association of Thailand, 1978, pp.244-254.

²⁹ Charnvit Kaset Siri, 'The First Phibun Government and Its Involvement in World War II', *The Journal of the Siam Society*, volume 62 part 2, July 1974, p.35.

Pibul wrote to all newspapers saying that the real reason behind his whole ultra-nationalist programme was to forestall the Thais from coming under "Japanification" and to show the world that the Thais were not at all alarmed by the wartime conditions. The primary aim behind the establishment of the National Cultural Council was to prevent the spread of Japanese culture into Thailand. According to him, he had specified the European style dresses because he feared that before long the Thais might all start wearing Japanese kimonos, and out of fear that the chopsticks would become the national implements for eating he had emphasized the use of forks and spoons.³⁰

In spite of Phibun's account, in May 1944 the government proclaimed a national code of valour of Thai heroism, which stressed military and cultural bravery along the lines of Bushido, the Japanese traditional feudal samurai ethic. The movement aimed to justify the need for a strong leader.

The effects of the world depression on Siam must briefly be examined here. One of the main features of the world depression was the collapse in commodity prices.

It is well known that the depression was marked by a collapse of commodity prices. Tin and copper prices fell, and so did prices of rubber, cotton, coffee, tea, sugar and rice. The developing world, by increasing its output of these commodities, created the overproduction which forced prices down. Prices began to fall as early as 1925 in many cases and continued to fall slowly until 1929, the year normally assumed to mark the beginning of the depression. Then they collapsed, and remained low until 1933 when recovery gradually took place.³¹

Latham argued that overproduction in two main foodstuffs, wheat in the West and rice in the East, caused the collapse of prices.³² Wheat production expanded from the mid-1920s as did rice. Therefore, their prices began to fall from the middle of the 1920s.

Siamese trade was always in surplus in the 1920s and 1930s, except

³⁰ Thamsook Numnonda, 'Pibulsongkram's Thai Nation-Building Programme during the Japanese Military Presence, 1941-1945', *Journal of Southeast Asian Studies*, 9, no.2, September 1978, p.242.

³¹ A.J.H. Latham, *The Depression and the Developing World, 1914-1939*, London: Croom Helm, 1981, pp.175-6.

³² Latham described the relation between wheat and rice as follows; 'What seems to have happened is that up to 1927 world rice production and wheat production tended to move inversely, good rice harvest offsetting bad wheat harvests and good wheat harvest offsetting bad rice harvests. But from 1927 the inverse relationship disappeared and production of both grains moved in the same direction, throwing vast quantities of essential foodstuffs onto the world market and forcing down prices.' *Ibid.*, p.178.

in 1920-21, because of a prohibition on the export of rice as a result of a failure of the crop. In the 1920's, exports and the trade surplus reached their peak in 1927-28. However, a trade slump developed in the late 1920's. When the world depression hit Siam in 1930, export values fell rapidly in 1931-32 to 51 % of the peak of 1927-28.

Regarding rice, expansion in the major exporting countries like Siam, Burma and French Indo-China took place through good harvests; self-sufficiency plans in many of the importing countries pushed down the price in the 1930s. For example, in 1934, the markets of the Netherlands East Indies and of Japan were closed, and import duties were imposed on Siamese rice entering the Kwangtung province in China. The effect of the world depression was severe on Siam. Rice exports accounted for about 70 percent of Siamese exports. The volume hit bottom in 1930-31 and value in 1931-32 (See Table 1-1). Comparing these figures to their peak in 1927-28, the drop was 40 percent in volume and 61 percent in value. The important point is that the volume of rice exports then expanded over the first half of the 1930s but the value was stagnant. To put it another way, the average value of rice per ton was lower in the 1930s than in the second half of the 1920s.

In addition to the immediate effect of the world depression, the Siamese government's decision to remain on the gold standard after Great Britain left it in September 1931 caused serious damage to rice exports, through the high exchange value of the baht against sterling, until May 1932 when Siam also went off gold.

The consequences to Siam's trade of this adhesion to gold were serious. Exports were badly hit. Produce prices, already low owing to the world depression, fell further as an indirect result of the exchange policy adopted. The value of rice sent abroad during the first five months of the season (December, 1931 to April, 1932) averaged about Ticals 54.0 per ton, a figure which allowed no profit to the farmers who, in many cases, were unable to meet their commitments or to pay their taxes.³³

³³ Department of Overseas Trade, *Economic Conditions in Siam at the close of the third quarter, 1932*, London: His Majesty's Stationery Office, 1933, p.9.

The purchasing power of the farmers fell because of the sharp drop in rice export value, so imports were also badly hit. Concerning government revenue and expenditure, the year 1930-31 ended with a deficit of 8.5 million baht. The government sought to cope with these difficulties by increasing revenue and reducing expenditure. The following were raised: the customs tariff in November 1931 and February 1932; port and light dues; postal rates and immigration fees. New sources were created: excise duties on matches and cement, and a salaries tax. There was a reduction in the number of civil servants and navy and army officers, a reduction in their salaries, amalgamation and re-arrangement of government departments, a reduction in ministries' budgets and postponement of non-urgent capital expenditure. The British Department of Overseas Trade noted:

All these efforts were, however, unsuccessful in balancing the budget. The high tariff kept out imports; the low price realised for their padi made it impossible for the farmers to pay their padi land tax which was reduced early in 1932 by 20 per cent.³⁴

The attempt to increase revenue was continued by the new government after 1932. New taxes, such as the income tax, a business tax, a banking and insurance tax, and stamp duties were introduced, custom duties and the excise duty on matches were increased.³⁵ The Siamese government's policies to deal with these economic difficulties were conservative, and a balanced budget was given priority, even in the worst period. There was no expansion of public expenditure which relied on internal or external loans. Public discussion of the farmers' financial difficulties, such as indebtedness, was keen. However, there was no positive response from the government.

The development of local industries and the encouragement of the growing of other crops besides rice have received wide public discussion and have engaged the serious attention of the Government, but lack of capital has thus far allowed only a few preliminary steps

³⁴ Ibid., p.10.

³⁵ In spite of introducing new taxes, the government helped the farmers by reducing the paddy and orchard land taxes by 50 per cent and abolishing the garden tax.

to be taken.³⁶

In spite of unstable rice exports, a steady increase in the value of tin and rubber exports from 1933-34 offset the stagnant rice trade in the second half of the 1930s to some extent. Siam gained some advantage in joining international commodity schemes for rubber and tin. Siam was a small producer in the world market. This meant that Siam alone could not influence prices, although it had to be included in the schemes in order to secure control over all producers. Siam was therefore able to demand larger quotas than its production really justified.

The last part of this section considers government intervention in the economy throughout Southeast Asia in the 1930s. In Siam, the government invested in the manufacture of paper, textiles and sugar, as well as in rice mills from the mid-1930s. Brown and Booth both pointed to government intervention in the inter-war period:

the inter-war period saw a marked increase in the level of government intervention in the economy. In part this was an immediate response to the economic problems brought by those troubled decades. Thus government was forced to take a central role in the negotiation and implementation of the international commodity restriction agreements, for rubber, tin, and sugar, which were erected in this period.³⁷

The Malay States joined the rubber restriction scheme in the 1930s, and the Netherlands East Indies entered the Chadbourne International Sugar Agreement in 1931. Brown noted where two governments intervened in the import trade when cheap Japanese manufactured goods hit South-East Asia in the early 1930s. The Netherlands East Indies imposed quotas on a wide range of imports from mid-1933, and the Strait Settlements did so on the import of foreign cotton and rayon piece goods for local consumption in mid-1934.

³⁶ Department of Overseas Trade, *Economic Conditions in Siam at the close of 1934*, London: His Majesty's Stationery Office, 1935, p.2.

³⁷ Ian Brown, *Economic Change in South-East Asia, c.1830-1980*, Kuala Lumpur: Oxford University Press, 1997, pp.56-7.

Brown sees the roots of economic intervention from a different angle.

But increased government intervention also had more deep-seated origins. It commonly reflected a largely new acceptance on the part of government that fundamental, long-term economic problems, now perhaps more clearly in focus, could be solved only by the state action. What those problems were perceived to be differed from country to country.³⁸

For the Philippines, fear of losing privileged access to the huge American market with full independence in 1946 prompted a large programme of import-substitution. For the Netherlands East Indies,

the Dutch administration not only regulated imports to protect new domestic manufacturing but also took powers to regulate local industrial production, even to the point where government officials had discretion to control capacity and, in some cases, fix prices. The state was now a major player indeed.³⁹

Country to country comparisons by Anne Booth also show that the government intervened in the Netherlands Indies economy in the late 1920s.⁴⁰ Her comparisons show only broad patterns and trends, because of the incompatibility of government data and the primitive nature of national income accounting techniques. However, table 1-2 shows various categories of government expenditure as a percentage of GDP for Indonesia and selected countries.⁴¹ The government in Indonesia spent a great deal on 'economic services', including public works. This expenditure, in 1929, was higher than that on defence and administration. Booth pointed out that: 'indeed, Indonesia was spending a larger percentage of national income on economic services in 1929 than Japan a decade earlier, although the overall percentage of government expenditure to national income was slightly lower.'⁴²

38 Ibid., p.57.

39 Ibid., p.58.

40 Anne Booth, 'The Evolution of Fiscal Policy and the Role of Government in the Colonial Economy', in Anne Booth, W.J. O'Malley, Anna Weidemann, (ed), *Indonesian Economic History in the Dutch Colonial Era*, New Haven: Yale University Southeast Asia Studies (Monograph Series 35/Yale University Southeast Asia Studies, Yale Center for International Area Studies), 1990, pp.210-243.

41 Ibid., p.235

42 Ibid., p.233.

A comparison is also made of the scale of government borrowing. Table 1-3 shows public debt outstanding as a percentage of national income and exports for Indonesia and selected countries. It shows that for Indonesia, total foreign public debt outstanding doubled to 47 per cent of national income between the early 1920s and the late 1930s. Of the other Asian countries, Japan and Thailand, showed less than 7 per cent. This is an important point: Indonesia borrowed heavily but Thailand avoided foreign loans. In Siam, the government had kept balanced budgets, on the advice of the Financial Adviser, from the last decade of the nineteenth century, and proposals to raise foreign loans were always carefully examined.

Here the case of Thailand is particularly instructive. The maintenance of independence from imperialist domination was the over-riding preoccupation of the Thai monarchy and the indigenous élite. Therefore the Thai government borrowed very little abroad in the pre-1940 era, and chose to concentrate scarce domestic investment resources on railways and defence infrastructure rather than on irrigation and agricultural research (Feeny 1982a). This retarded the growth of both agriculture and industry, leaving Thailand with a larger underdeveloped economy by the outbreak of the Second World War.⁴³

Government intervention in the economy can also be seen in the rubber industries of Indonesia and Malaya during the period 1900-40.⁴⁴ Barlow and Drabble note:

The government in Malaya was far more interventionist. With greater financial resources than its Indonesian counterpart, it moved vigorously to support rubber estate development, establishing relevant infrastructures itself and conducting more research in its own institutions. It also acted much sooner to control output, in an approach supported by the private corporate developers.⁴⁵

In spite of crucial differences with respect to investment in their economic infrastructure between Siam, and Indonesia and Malaya, the economic policies that emerged in Siam after 1932 involved various attempts

43 Ibid., p.238.

44 Colin Barlow and John Drabble, 'Government and the Emerging Rubber Industries in Indonesia and Malaya, 1900-40', in Anne Booth, W. J. O'Malley, Anna Weidemann, (ed), *Indonesia Economic History in the Dutch Colonial Era*, Monograph Series 35/Yale University Southeast Asia Studies, Yale Center for International Area Studies, New Haven, Connecticut: Yale University Southeast Asian Studies, 1990.

45 Ibid., p.207.

to set up state enterprises on an experimental basis. The Siamese government paid careful attention to economic infrastructure investment, without relying on foreign loans.

This thesis consists of eight chapters. After this introduction, Chapter 2 examines economic conditions in the 1920s and early 1930s. The effect of the world depression, and the major arguments over Siamese economic underdevelopment, by both Thai and Western scholars, will be discussed briefly.

Chapter 3 will consider three economic plans; those of Mangkorn Samsen, Pridi Phanomyong and Phra Sarasas. These were comprehensive economic plans, and provoked severe argument from the conservatives, foreign advisers and the press. In addition, the lives and education of the authors will be examined in an attempt to uncover their deeper ambitions in preparing these plans.

Chapter 4 will deal with the other plans submitted after 1932. They can be divided into two main groups; those prepared by the Siamese elite, and those written by Siamese commoners. In general, these plans were not comprehensive, but were project-oriented or sector-oriented plans. These plans can be further divided into several groups; the counter-plans to Pridi, which include the plans of Mano and Komarakun; specific plans prepared by the Siamese elite, such as those by Boriphanyutthakit and Wilat Osathanon; plans and ideas from the middle classes; and the economic ideas of foreigners. Here, particular attention will be paid to the role of the middle class, including its views on the economic crisis of the early 1930's, on economic nationalism, and on agricultural problems. There are two reasons to emphasize the role of the middle class, one is to show the different roles of the middle class before and after 1932, and the other is to

make clear how the middle class viewed the economic problems of the country.

Chapter 5 examines the development of economic nationalism in Siam. The year 1932 is an important focus. After 1932, various social groups participated in discussion of economic nationalism, and among them, the middle class and the small and medium merchants are particularly worthy of study. The establishment of the Siamese Chamber of Commerce in 1933 will be examined, together with its founders, their lives, businesses and their relationship to the government. The role of the press is also important, because many press articles referred to economic nationalism. Several important newspapers will be examined, their ownership, circulation and their relationship to the government. Articles by notable authors such as 555 (Phra Sarasas) and 'Cultivator' (Prince Sithiporn) will be noted briefly. One of the purposes of this chapter is to examine the nature of economic nationalism at that time. Was it anti-Chinese or anti-West? How did economic nationalism develop after 1932? How did the government react to the passion of economic nationalism? How did the government implement economic nationalism?

Chapter 6 will focus on the development of cooperatives. From 1917 to 1939, the government supported cooperatives. The main questions are; why did the Siamese government establish cooperatives from 1917? What kinds of cooperative were important in the 1920s and 1930s? Was there any drastic policy change before or after 1932? Did the cooperative movement involve the farmers, or was it initiated from the top? Why were cooperatives poorly developed in the 1920s and 1930s?

The reason why the role of cooperatives is discussed is that agriculture was the backbone of the Siamese economy, and cooperatives were seen as important to promote agriculture. In addition, the world

depression affected the Siamese economy so greatly that the burden of the farmer's debt became a major issue for the government. Cooperatives were expected to deal with rural problems.

Another point to be considered is the influence of Western cooperative thought on the Siamese elite. Did they adopt or improve Western models for Siam? Did they just imitate or did they create a specific Siamese model? Most of the economic plans after 1932 saw cooperatives as vital for economic development.

Chapter 7 examines various plans for a central bank or national bank. The idea for the establishment of a central bank or a national bank can be traced back to the 1910s, but this chapter will focus on the proposals after 1932. Why did these plans appear after 1932? Were they driven more by political reasons than by economic nationalism? Did Siam need to have a central bank at that time? What was the reaction of the Ministry of Finance? How did the financial advisers respond to these ideas? What was the connection of these plans with the establishment of the National Banking Bureau in 1939?

The establishment of a central bank can be seen to be vital for a country's economic and financial policy. Therefore various economic plans after 1932 contained central bank or national bank projects. Why were these institutions seen as necessary for Siam - perhaps to deal with the effects of the world depression, or as a symbol of economic nationalism?

Table 1-1 Exports: Rice, Teak, Tin and Tin Ore, and Rubber 1925/26 - 1939/40									
Year	Rice		Teak		Tin and Tin Ore		Rubber		Value 1,000 baht
	Quantity m. tons	Value 1,000 baht	Quantity cu. m.	Value 1,000 baht	Quantity m. tons	Value 1,000 baht	Quantity m. tons	Value 1,000 baht	
1925/26	1, 375, 747	167, 409	60, 670	5, 637	10, 912	22, 836	5, 035	10, 182	
1926/27	1, 307, 972	165, 226	84, 014	8, 219	10, 221	22, 840	3, 581	5, 214	
1927/28	1, 720, 239	201, 156	99, 436	9, 947	10, 930	22, 424	4, 678	6, 366	
1928/29	1, 480, 039	175, 214	108, 837	11, 242	11, 930	20, 030	4, 484	2, 941	
1929/30	1, 131, 605	139, 087	105, 292	11, 219	15, 412	22, 638	5, 027	2, 956	
1930/31	1, 026, 740	103, 068	93, 569	9, 738	16, 771	16, 852	3, 948	1, 236	
1931/32	1, 332, 027	77, 500	60, 805	4, 950	15, 755	13, 433	3, 229	512	
1932/33	1, 672, 033	94, 201	53, 404	3, 312	13, 581	14, 304	3, 228	379	
1933/34	1, 663, 478	82, 967	64, 939	4, 274	14, 780	24, 542	11, 535	2, 359	
1934/35	2, 002, 068	98, 437	63, 943	4, 589	15, 315	26, 347	23, 189	9, 301	
1935/36	1, 501, 786	90, 836	63, 051	5, 052	14, 254	23, 374	31, 199	13, 213	
1936/37	1, 558, 707	95, 944	100, 128	8, 652	18, 461	29, 809	38, 303	23, 525	
1937/38	1, 102, 215	75, 343	94, 357	9, 112	22, 085	37, 528	33, 795	22, 667	
1938/39	1, 554, 839	97, 419	82, 555	6, 694	20, 362	30, 814	47, 309	25, 101	
1939/40	1, 892, 241	113, 300	83, 796	7, 885	23, 007	41, 331	42, 181	30, 167	

(Source) Constance M. Wilson, *Thailand: A Handbook of Historical Statistics*, Boston, G.K. Hall Co, 1983, pp.213-4, 216-7.

Table 1-2: Categories of Expenditure as a Percentage of GDP: Indonesia and Selected Comparisons						
Country and Year	Administration, Law and Order	Defence	Public Debt Servicing	Social Services	Economic Services	Total
Indonesia 1929	3	3	2	2	5	16
India 1920-1	2	3	1	1	1	8
Japan 1921	7	6	1	1	2	17
Egypt 1938-9	8	1	2	4	8	25
Germany 1929	4	4	1	19	3	31
United Kingdom 1929	2	3	7	9	3	24
U.S.A. 1927	1	1	1	3	3	12
(Source) Anne Booth, 'The Evolution of Fiscal Policy and the Role of Government in the Colonial Economy', in Anne Booth, W.J. O'Malley, Anna Weidemann, (ed.), <i>Indonesian Economic History in the Dutch Colonial Era</i> , New Haven, Connecticut: Yale University Southeast Asia Studies, 1990, p.235.						

Table 1-3. Public Foreign Debt Outstanding as a Percentage of National Income and Exports: Indonesia and Selected Comparisons				
	Debt Outstanding as a Percentage of:			
	National Income		Exports	
	Early 1920s	Late 1930s	Early 1920s	Late 1930s
Indonesia	23	47	79	174
Argentina	n.a.	10	37	77
Canada	10	14	64	85
Australia	54	70	288	397
India	14	21	128	208
Japan	9	5	71	46
Egypt	n.a.	48	159	263
Thailand	n.a.	7	68	28
(Source) Same as Table 1-2, p.237.				

Economic conditions in Siam in the 1920's and 1930s

The aim of this chapter is to describe the main features of the Thai economy in the 1920's and 1930's and to provide the context within which economic ideas were developed. Three main areas will be considered: the general condition of the Thai economy, including the trade structure and government revenue and expenditure, contemporary arguments regarding Siam's economic backwardness and Chinese and foreign domination of commerce.

Siam was an agricultural country. During the 1920's and 1930's the economy was highly dependent on rice, teak, tin and rubber exports. Rice was the most important, accounting for about 70% of total export value in the 1920's. Most of the population was engaged in agriculture.¹ The Siamese did not show much interest in commerce or industry, which were dominated by Chinese and foreigners, especially Europeans. In tin and teak, investment came from Europeans, mainly the British. As a result, the enclave mining and forestry sectors did not impinge on the Siamese economy in terms of bringing about fundamental structural change. As well as Europeans, Chinese were involved in rice milling, as middlemen, moneylenders and in commerce. The Siamese government had little intention of fostering commerce or industry, and therefore economic backwardness was entrenched. Even in agriculture, only a little capital was invested in irrigation and agricultural research, rice expansion was brought about by an increase in the amount of cultivated land. At that time Siam had

¹ According to Statistical Yearbook 1929/30, agriculture, fishing and forestry employed 6,328,211, 84% of the total number of employed.

an extensive land frontier, and the expansion of the land area under rice was mainly carried out in the central plain.

The trade balance was always in surplus in the 1920's and 1930's, except in 1920-21 because of a prohibition on the export of rice as a result of a failure of the crop. In the 1920's exports and the trade surplus reached a peak in 1927-28. However, a trade slump developed in the late 1920's (see Table 2-1). When the world depression hit Siam in 1930, export value fell rapidly, to 51% in 1931-32 of the peak of 1927-28. Rice export value in 1931-32 was 39% of its peak in 1927-28. However, volume increased 29.7% in 1931-32, which shows that Siamese farmers had been forced to export more rice because of the sharp fall in price.

Rice was the main export, far larger than the second, tin, in the 1920's. In imports, manufactured goods accounted for about 60% in the 1920's, followed by such items as food and non-alcoholic beverages, and raw materials. Direct trade between Great Britain and Siam was small.² However, Siamese trade with the British ports of Hongkong and Singapore accounted for 60% of all Siam's exports and 27% of her imports in 1928-29.

Before analysing the changing structure of revenue from the mid-1920's, there must be a general description of the Siamese revenue. Government revenue consisted of three parts: direct revenue, taxation and others. According to the *Statistical Yearbook 2473*, direct revenue was defined as revenue from properties owned or worked by the state, or from the commercial activities of the state, or from the state's coining or exchange operations. For example, forests, mines, the state railways, and telegraphs and telephones, were important sources of direct revenue. Revenue from taxation included all compulsory payments made under the taxing power of the state. Customs, land tax, capitation tax, opium and excise were

² In 1928-29, Great Britain accounted for 17.61% of Siamese imports, and 1.17% of her exports.

important here. In the 1920's, direct revenue had been more than 40% of total revenue, and taxation was a little larger than direct revenue. However in the 1930's, taxation was more than 50%, and direct revenue was reduced to around 30% (see Table 2-3).

During the 1920's the main sources of revenue changed (see Table 2-4). Firstly, custom revenues increased rapidly: in 1920-21 this was only the fifth largest item, accounting for 7.7% of total revenue; but in 1929-30 it was the largest single item, accounting for 19.4%. During the 1930's, custom revenue remained the largest, and increased rapidly (see Table 2-4). Secondly, opium had been the major revenue during the 1920's: however, its share declined gradually in the 1930's.³ Thirdly, revenue from the state railways increased rapidly from the mid-1920's.

Concerning government expenditure, the Ministry of Defence and Ministry of Interior had the major shares, accounting for more than 40% of the total in the 1920's. In addition, royal expenditure was still high in the 1920's. Under Rama 7, cuts in defence and royal expenditures were carried out. For example, between 1920-21 and 1929-30, the share of the defence budget decreased from 26.8% to 19.8%, and the royal accounts decreased from 12.2% to 6.5% (see Table 2-5). On the other hand, expenditure for economic development was not given priority during the 1920's.⁴ In fact, the Ministry of Land and Agriculture, the Ministry of Public Instruction, and the Ministry of Economic Affairs, had relatively modest allocations (see Table 2-5). In contrast, in the 1930's, the allocations of the Ministry of Public Instruction and the Ministry of Economic Affairs increased rapidly, although their share was still just over 10% each.

³ In 1926, the opium revenue accounted for 18% of total revenue, but this decreased to 8.8% in 1938. James C. Ingram, *Economic Change in Thailand, 1850-1970*, Stanford: Stanford University Press, 1971, p.185, Table XV.

⁴ The only exception was the Ministry of Economic Affairs in 1929-30, which accounted for 8.6% of total expenditure, in order for it to cope with the world depression.

This chapter will focus on two particular problems. The first is the alleged extravagance of Rama 6 and the expenditure cuts under Rama 7. The first brought serious economic and financial problems to Siam. The second is the absence of effective government measures to cope with the economic difficulties. In order to deal with this argument, it would be useful to introduce several arguments promoted by Thai economic historians.

The first half of the 1920's saw serious political and economic problems. At that time political and economic reform was not a main issue - the king was preoccupied with such matters as the Wild Tiger Corps or the renovation of his various palaces.⁵ For example, the king spent huge sums on his coronation. 'The second coronation was an enormously expensive affair. The costs totalled almost two million dollars, or nearly 8 percent of the national budget for 1911. The amount spent was about ten times the amount initially allocated.'⁶ There was political conflict between the king and some princes regarding economic management. For example, Prince Chantaburi was so strongly opposed to the king's personal expenditures that he was finally forced to resign as Minister of Finance. At that time, the king's power was so great that direct argument with him did not bring about any substantial change. The British Minister noted that, 'The King's hold over his immediate relations is extraordinary autocratic from a Western point of view, and I understand that no member of the Royal Family theoretically may leave the capital, even for a night, without permission.'⁷

Financial problems were becoming serious during the first half of the 1920's. The accumulated budget deficit amounted to over 11 million baht from 1922/23 to 1925/26 (see table 2-2). Most of this huge deficit was caused by the king's special personal expenses: a British diplomat put it as

⁵ See chapter 3, 'The Wild Tigers', in Water F. Vella, *Chaiyo! King Vajiravudh and the Development of Thai Nationalism*, Honolulu: University Press of Hawaii, 1978, pp.27-52.

⁶ Ibid., p.25.

⁷ Greg to FO No.215, 31 December 1923, F366/220/40, FO371/10348, PRO.

follows:

I fear that as long as the present reign lasts it is unlikely that there will be any change for the better, unless the financial situation, none too bright as it is, were to become so grave as to compel His Majesty to reform the present faulty system under which a distortion of the amount of the public revenue is expended on luxuries like the Court, the Royal palaces and the armed forces of the country, instead of useful and productive objects like roads, forestry, irrigation and co-operative societies, to say nothing of education, which, though heralded with great flourish of trumpets, is being literally starved at its birth, teachers in country districts not receiving more than 15 ticals a month salary.⁸

Such a situation caused doubts about Siam's financial policy and about the floating of external loans, on the part of Siam's foreign advisers.⁹

In a cabinet meeting in May 1925, the Prince of Nagor Svarga expressed his support for cutting military expenditure in order to cope with these financial problems. He also criticised the king's extravagance, saying that, 'the sums expended on the King's comfort and on the maintenance of the Royal dignity were out of all proportion to the revenue of the country.'¹⁰ The measures necessary to cope with these financial problems were carried out after the death of Rama 6. They included a reduction in the number of officials, and also reduction of expenditure for the military and the Royal Household. Although the actual figure for the cut in officials was not announced officially, the British Foreign Office commented:

How many Siamese have been dismissed it is impossible to say as the most important Ministers have published no figures. Some put the total for Bangkok alone at 9,000, others at 4,000. If one includes in the term "official" messengers and all others, however menial their position, who are paid by Government the estimate of four thousand for Bangkok is perhaps not far wrong. To this figure must be added the provincial officials who have also been retrenched.¹¹

In addition, in early April 1925, twenty six European officials were dismissed.¹² The amalgamation of the Ministry of Commerce and the Ministry

⁸ Greg to FO No.63, 9 April 1925, F1687/183/40, FO371/10973, PRO.

⁹ See Greg to FO No.103, 11 June 1925, F3129/72/40, FO371/10972, PRO.

¹⁰ Greg to FO No.86, 21 May 1925, F2461/72/40, FO371/10972, PRO. The date of the Cabinet meeting was not given.

¹¹ Johns to FO No.71, 12 April 1926, F2053/78/40, FO371/11717, PRO.

¹² Ibid. They were 9 British, 8 Italians, 7 Danes and 2 Americans.

of Communications, and the abolition of the posts of Viceroy and of Deputy Lord Lieutenant were carried out. The number of provinces (*monthon*) was reduced from seventeen to thirteen.

Government revenue and expenditure in the 1920's produced a large deficit during Rama 6's reign, especially from 1922-23 to 1925-26, and again in 1931-32 (see Table 2-2). The former was mainly caused by Rama 6's extravagance, the latter was mainly due to the effects of the world depression, especially the drastic fall in export value. In order to deal with the financial problems caused by Rama 6, Rama 7 tried to reduce expenditure as much as possible.

When King Rama VII came to the throne in 1925, he launched an economy drive designed to reduce expenditures and to put the government's finances on a sound basis. His Majesty's civil list was cut from 9 million baht to 6 million baht as a first step, salaries were cut, and various other economy measures were adopted. The successful revision of foreign treaties helped by providing sources of increased revenues. As a result of these measures, the budget was balanced, capital expenditures were financed from revenue, and a reserve for debt redemption was accumulated.¹³

Cuts in the budget of the Royal Household, the Ministry of Defence, and the Ministry of the Interior took effect immediately in the second year of Rama 7's reign. They fell 32%, 8.2%, and 8.5% respectively, compared with their 1925-26 levels (see Table 2-5).

Another important development during the 1920's was the revision of the treaties between the Great Powers and Siam which had denied fiscal autonomy. This had meant that Siam's custom revenues had been very low for a long time. Ingram explains why Siam was anxious to secure revision of the foreign treaties:

Thailand's efforts to reform her fiscal system centred around the campaign to revise the import duties. The government was convinced by foreign advisers and critics that a modern state should not receive 30 to 40 percent of its revenue from gambling and opium, and it was aware that the many export and inland-transit duties were harmful as well as inefficient.¹⁴

¹³ James C. Ingram, *Economic Change in Thailand, 1850-1970*, Stanford: Stanford University Press, 1971, p.190.

¹⁴ Ibid., p.179.

The breakthrough was brought about by the American treaty in 1921, which both gave fiscal autonomy and removed American extraterritorial rights in Siam.¹⁵ In this negotiation, the American Foreign Adviser played an important role in securing favourable conditions for Siam. The Great Powers then signed similar treaties with Siam.¹⁶ When the Anglo-Siamese Treaties were signed on 14 July 1925, Siam fully regained fiscal autonomy, because Great Britain (including her colonies, Hongkong and Singapore) was Siam's most important trade partner.¹⁷ The new import tariff was a general 5% ad valorem, instead of the old 3% ad valorem. Beer and wine were levied at 12% ad valorem.¹⁸ The important point was that under this agreement, the chief British imports - cotton goods, iron and steel manufactures and machinery - were protected against duties higher than 5% until 1937. Import revenues in 1927-28 increased by 123.8% to 16 million baht.

Siam's economic backwardness has been explained by scholars in many ways.¹⁹ These scholars vary from Marxists, the political economy group, to the neoclassical group. There are two main approaches to explain economic backwardness in Siam, by internal factors and external factors. Those who stress internal factors include the Marxist group (Jit Poumisak, Peter F. Bell, David Elliott), the political economy group (Chatthip Nartsupha, Suthy Prasartset, Hong Lysa), and the neoclassical group (David Feeny). Those who emphasise external factors include Ian Brown and some

¹⁵ The American Treaty was signed on 16 December 1920, and ratified on 1 September 1921.

¹⁶ In 1925, seven countries, Denmark, France, Great Britain, Netherlands, Portugal, Spain and Sweden revised their treaties with Siam. In 1926, three countries, Belgium, Italy and Norway followed.

¹⁷ Treaties were a 'General Treaty of Friendship' and a 'Treaty of Commerce and Navigation'. They were ratified on 30 March 1926.

¹⁸ The Siamese Government enforced the new customs duties from March 1927. The other items which attracted special ad valorem rates were manufactured tobacco (25%), and motor cars and equipment (10%). Kerosene, benzine, matches, and sugar also faced higher rates.

¹⁹ See the introduction and summary in Sompop Manarungsan, *Economic Development of Thailand, 1850-1950: Response to the Challenge of the World Economy*, Bangkok: Institute of Asian Studies, Chulalongkorn University, 1989, pp.1-30.

elements of the political economy group. Although political economy is within the Marxist school in a broad sense, there are several differences in their approach to explaining economic backwardness. Among Marxists and the political economy group, the influence of the Sakdina system and the Asiatic mode of production has frequently been argued. In Thailand, the political economy group has been led by Chatthip Nartsupha and Suthy Prasartset. Chatthip's main argument is that internal factors, the Sakdina system, and external factors, the imperialist powers, exploited farmers and commanded resources.²⁰ He emphasizes the importance of the internal factors, the existence of the Sakdina system, rather than the external factors, the imperial powers. He viewed Siam's economic condition before the Bowring Treaty in 1855 as being stagnant and self-sufficient. 'Up to the middle of the nineteenth century the economy of Siam had been mainly self-sufficient. Thus, the process of division of labour and specialisation could not develop.'²¹ This view is shared by J. Homan van der Heide. Chatthip maintained that despite a dramatic expansion in trade after the Bowring Treaty, exploitation of the economic surplus by the Sakdina class continued without any change in the mode of production.

The Sakdina system was explained by Udom Sisuwan as follows:

The ruling class of saktina society consisted of the monarch, royalty, and nobility, and all land was owned by the monarch or ksatriya. The ruled class consisted of *phrai* (agricultural slaves/serfs), who were bound individually to the members of the ruling class, who were bought and sold at whim, and who were forced to labour three to six months of the year for their masters in cultivating the fields. The *Phrai* could not move away from their landholdings; they possessed no political, economic, cultural, or nationality rights; and their conflict with the saktina class led to struggles that always ended in brutal suppression because the *Phrai* lacked correct and forceful leadership. In the nineteenth century, when European imperialists asserted their interests in Asia, the saktina class was unable to withstand the pressure and was

²⁰ See Chatthip Nartsupha and Suthy Prasartset, *The Political Economy of Siam 1851-1910*, Bangkok: Social Science Association of Thailand, 1981, and Chatthip Nartsupha, Suthy Prasartset, and Montri Chenvidyakarn (ed), *The Political Economy of Siam 1910-1932*, Bangkok: Social Science Association of Thailand, 1981.

²¹ Chatthip Nartsupha and Suthy Prasartset, *The Political Economy of Siam 1851-1910*, Bangkok: Social Science Association of Thailand, 1981, p.1.

forced to concede to demands, especially from the British, for trading and extraterritorial rights.²²

In other words, the king commanded the three important factors of production: land, labour and capital. In fact all land in Siam theoretically belonged to the king until the reign of Rama IV (1851-1868). It was not until 1861 that private land ownership was permitted.²³ Chatthip explained that:

the peasants were exploited through a) corvee labour or capitation tax, b) paddy land tax, c) taxes on certain products, d) interest, and e) rent. It was estimated that at least 3/5 of the total product of each peasant family was taken by the Sakdina and bourgeois classes.²⁴

Therefore little capital accumulation was possible in the rural areas.

In conclusion the king controlled the largest portion of land, labour, and capital funds in nineteenth century Siam. Consequently he absorbed a disproportionately large share of the surplus product. This seizure of the essential product of the peasant, the very source of the peasant's livelihood, restricted the development of the productive forces of the economy. It also inhibited the process of class or estate differentiation. Centralised Sakdina control was an obstacle to the development of a capitalist mode of production. What emerged was merchant capital subservient to saktina lords and the royalty.²⁵

In general, the economic surplus commanded by the sakdina class was spent not on productive investment like irrigation, economic development, or education, but on luxury goods, or the king's personal expenses, as already noted with Rama VI's extravagance.

The second argument focuses on the emergence of a bourgeoisie class in Siam. Did Siam have an indigenous bourgeoisie class that could promote economic development? In Siam there was no possibility for the Siamese themselves to create an indigenous bourgeoisie because of the severe exploitation of the economic surplus by the sakdina class. The only opportunity given was to the Chinese. However there were a number of

²² Craig J. Reynolds and Hong Lysa, 'Marxism in Thai Historical Studies', *Journal of Asian Studies*, vol.43, no.1, November 1983, p.81. Udom published *Thailand, a Semicolony* in 1950 under the pen name Aran Phrommachomphu. He worked as a journalist and literary critic during the 1940's and 1950's.

²³ If the king wished to use land in private use, he could claim it by paying compensation to the holder.

²⁴ Chatthip Nartsupha and Suthy Prasartset, *The Political Economy of Siam 1851-1910*, Bangkok: Social Science Association of Thailand, 1981, p.35.

²⁵ *Ibid.*, p.31

obstacles to curb the development of the Chinese as a bourgeoisie. The development of a bourgeoisie class was quite different in Siam from that in Western countries. Chatthip pointed out that the sakdina system absorbed the Chinese as tax farmers or local governors. Chinese tax farmers were appointed as officials with a Sakdina rank, and were expected to play an important role in bringing the economic surplus, through taxation, to the monarchy. Some Chinese tax farmers and local governors in southern Siam had administrative and judicial powers as well as fiscal authority. Chatthip maintained that: 'In Siam the bourgeois class consisted of two groups, the bureaucratic capitalists and the compradore capitalists. They were both dependent bourgeois, the former on the Sakdina lords and the latter on foreign capitalists. They were not in a position to industrialise Siam.'²⁶ Under the Sakdina system, Chinese merchants had little opportunity to invest in manufacturing industry, because the government did not support them. The economic power of the Chinese merchants rested on their alliance with the Sakdina class.

Chatthip and Suthy's arguments have been challenged on various counts. First, economic conditions in pre-Bowring Treaty Siam were examined by Hong Lysa.²⁷ She provided clear evidence that the pre-1855 Siamese economy was not static but dynamic and flexible.

The pre-Bowring Treaty economy did contain and encourage economic exchange, surplus production and internal trade, not to the extent that one could talk of class formations and the accumulation of capital, but still of sufficient sophistication to handle the new capitalists forces of the post-1855 period.²⁸

Chatthip did not use Marx's concept of the Asiatic Mode of Production (AMP). AMP is defined as follows: 1) the absence of private ownership of land; 2) the village community as the essential cohesive force; 3) the village

²⁶ Chatthip Nartsupha, Suthy Prasartset, and Montri Chenvidyakarn (ed), *The Political Economy of Siam 1910-1932*, Bangkok: Social Science Association of Thailand, 1981, p.21.

²⁷ Hong Lysa, *Thailand in the Nineteenth Century: Evolution of the Economy and Society*, Singapore: Institute of Southeast Asian Studies, 1984.

²⁸ Ibid., p.149.

community with agricultural and craft industry; 4) the existence of hydraulic works, that is, irrigation; 5) an 'Oriental Despotic' state. Since Jit Poumisak termed Thai society from the Sukotai period as 'Thai feudalism', similar to European feudalism, based on the Marxist concept, AMP has dominated the argument. Jit's view has been challenged by many scholars, not only the political economists, who have argued that the AMP was not a useful concept for understanding the Thai situation - Thai noblemen did not possess autonomous political and economic power, like European nobles, they were mere officials who belonged to the Sakdina class, control of labour was more important than control of land in Siam, huge irrigation works had never been carried out by the state in Siam.

Chai-anan challenged Jit by using Karl Wittfogel's writings, maintaining that precapitalist Thai society was an AMP, not feudal. He characterises central Thailand in the Sukotai and Ayutthaya periods as a 'simple hydraulic society'. Critics of this view were Chatthip and Tanabe, who argued that precapitalist state irrigation construction was not for agriculture.

Thirdly, critics of Chatthip point to external factors rather than internal factors. Brown noted that the Siamese government discussed irrigation works and the introduction of high-yielding rice seeds, advanced agricultural equipment, use of fertiliser and crop diversification but could not invest because of external factors.

The principal reason for the Siamese administration's failure to commit itself to the construction of major irrigation works in Central Siam in the early twentieth century was the high cost of that project in relation both to the volume of resources at the government's command and to the demands of the other major expenditure programmes before it. It is important to emphasise that these latter considerations - the volume of resources available to government and their allocation between competing expenditure demands - constituted constraints that were essentially externally imposed.²⁹

²⁹ Ian Brown, *The Élite and the Economy in Siam c.1890-1920*, Singapore: Oxford University Press, 1988, pp.174-5.

The Siamese government found it difficult to raise revenue from foreign trade and from the land because of the treaties with the West in the mid-nineteenth century. An alternative was to raise capital in Europe. But Brown pointed out that:

borrowing from the imperial powers could well bring with it a dangerous degree of foreign intrusion. And the allocation of those resources - towards the construction of railways, the strengthening of military forces, and the creation of substantial exchange reserves, but not towards irrigation - was determined by the overriding need to defend the political sovereignty of Siam, threatened by European territorial expansion and commercial aggression in mainland South-East Asia from the middle of the nineteenth century.³⁰

Chatthip also noted how the openness of Siam's economy destroyed the local textile industry after the Bowring Treaty.³¹ J. Homan van der Heide also noted the decline of various local industries, such as cotton and silk textiles, metalware, paper, earthenware, as a result of cheap imports.³²

The gradually increasing influence of foreign trade, it must be observed here, in the main is not due to the country being opened up, as it generally is called, by improvement of the inland means of transport, but simply to the fact that the progress of modern engineering had opened up the sea as a cheap way for distant transportation.³³

Chatthip's explanation mentioned only imperialism: he did not expand his argument to show how imperialism had prevented economic development in Siam.

Lastly, Chatthip did not fully explain the political and economic changes after the 1932 revolution. Did the Sakdina system continue after 1932? Did a change in the mode of production or new class formation take place? Chatthip concluded that 1932 did not change the Thai economy. Is it possible to explain the People's Party policy of state capitalism during the 1930's in terms of Chatthip's theory? There are different Marxist approaches to understanding the mode of production after 1932. The first is that the

³⁰ Ibid., p.175

³¹ Chatthip Nartsupha and Suthy Prasartset, *The Political Economy of Siam 1851-1910*, Bangkok: Social Science Association of Thailand, 1981, pp.3-6.

³² J. Homan van der Heide, 'The Economical Development of Siam during the Last Half Century', *Journal of the Siam Society*, vol.3, pt.2 (1907), pp.86-7.

³³ Ibid., p.88.

mode of production after 1932 was capitalistic; the other is that no fundamental change took place after 1932. Songchai considers 1932 as a watershed in Siam's social formation since 1855:

because it overthrew the saktina state and opened the way for the establishment of a capitalist mode of production - dependent and underdeveloped in Thailand - which became the fundamental mode of production thereafter. It was not only saktina state power that was overthrown but the relations of production as well. I am referring, for example, to the proclamation in 1932 of the royal decree prohibiting the confiscation of agricultural assets and in 1938 of the royal decree on revenue collection which abolished the capitation and field taxes.³⁴

In contrast, David Elliot argues that:

Most important of these changes was the coup d'etat of 1932 which hoisted the military to power. However, it was not until after the Second World War that the military was able more or less effectively to represent the interests of the ruling class and it was accomplished by incorporating the bourgeois elements of Thai society into the ruling class. This was to mark the change from the old, Asiatic, mode of production to the underdeveloped form of capitalism.³⁵

Ingram viewed economic change since 1855 as follows:

we have seen many changes in the economy of Thailand in the last hundred years, but not much "progress" in the sense of an increase in the per capita income, and not much "development" in the sense of the utilisation of more capital, relative to labour, and of new techniques. The principal changes have been the spread of the use of money, increased specialisation and exchange based chiefly on world markets, and the growth of a racial division of labour. The rapidly growing population has been chiefly absorbed in the cultivation of more land in rice. For the most part economic changes have occurred in response to external stimuli.³⁶

Even so, Ingram did not explain why Siam had remained caught in economic backwardness. David Feeny used the 'induced innovation' hypothesis, that trends in relative factor returns were the main force in determining demand for innovation. Feeny concluded that important productivity-increasing changes had not been undertaken in Thailand in this

³⁴ Craig J. Reynolds and Hong Lysa, 'Marxism in Thai Historical Studies', *Journal of Asian Studies*, vol.43, no.1, November 1983, p.94.

³⁵ David Elliott, 'The Socio-Economic Formation of Modern Thailand', in Andrew Turton, Jonathan Fast, and Malcolm Caldwell, (eds.), *Thailand: Roots of Conflict*, Nottingham: Spokesman, 1978, p.34.

³⁶ James C. Ingram, *Economic Change in Thailand, 1850-1970*, Stanford: Stanford University Press, 1971, pp.216-7.

period because the potential suppliers of such changes (the Thai élite) would not have gained enough to make the effort worthwhile.³⁷

Feeny used a supply and demand model of technical and institutional change in order to explain economic backwardness. His approach was based on an analysis of changes in relative factor prices and changes in technology.³⁸ He pointed to a dramatic decline in paddy yields in the Central Plain from the 1920s to World War II. From 1920/21 to 1941, the paddy area in the Central Plain grew by 1.98% per year, population by 2.3% and paddy output by 1.03%. Paddy yield per hectare therefore declined by 0.93% per year, a serious and significant fall.³⁹ This decline is explained by several factors: deterioration in land quality, increases in the percentage of the damaged crop area and in the man-land ratio, declines in seed quality, poor drainage and poor water supply. 'Over the period 1880-1940 there seems to have been no significant technical progress in rice production in Thailand. In fact, it appears that total factor productivity declined significantly.'⁴⁰ In order to combat the decline in productivity, irrigation, selection of high quality seeds and water control were required. However irrigation works were carried out only in certain areas.

Feeny gave the example of irrigation development in Rangsit, where most of the landowners were absentee, that is the royal family, influential government officers, and rich Chinese merchants. He concluded that the government was willing to invest in irrigation only where the élite would gain. This was the main reason why Van der Heide's irrigation proposal for the Central Plain was not pursued. Feeny explains that investment in railways

³⁷ David Feeny, 'Competing Hypotheses of Underdevelopment: A Thai Case Study', *Journal of Economic History*, vol.39, no.1 (March 1979), pp.126-7.

³⁸ *Ibid.*, pp.113-27.

³⁹ David Feeny, 'Paddy, Princes, and Productivity: Irrigation and Thai Agricultural Development, 1900-1940', *Explorations in Economic History*, vol.16, no.2 (April 1979), pp.135-136.

⁴⁰ David Feeny, 'Competing Hypotheses of Underdevelopment: A Thai Case Study', *Journal of Economic History*, Vol.39, No.1 (March 1979), p.126.

was given priority.

The basic motivation in investing in railways was strategic. Railroads helped the government in its effort to administer the country more closely and make more effective use of its limited military power, and they were another tool used to exert Bangkok's control over provincial and local governments The railway provided security and public administration benefits to the elite and nation.⁴¹

He also explained why the government decided against irrigation:

There were a number of factors which may have been important in the formation of the government's decision not to invest in irrigation. First, irrigation would provide primary economic benefits, whereas the railroad served national security goals. Second, there were critics of the cost and potential benefits of investments in irrigation. Third, the government faced significant limitations in the amount of capital it could raise and invest. Fourth, there was opposition from landowners at Rangsit who would probably have lost their tenants if new irrigation projects had been built. Finally, the government and its officials had only limited means by which they could appropriate some of the gains from investments in irrigation, unlike the railway case.⁴²

Another approach derives from the W.A. Lewis/Adam Smith 'Vent for Surplus' model. Sompop explains as follows:

some factors of production, i.e., land and labour are not used or only partially used. The major reason for such resources being left idle is a lack of effective demand and lack of transportation; therefore resources or products will be rather immobile. Effective demand, stimulated by improvements in transport and communication, gave farmers new incentives to increase market production by employing the under-utilised resources. How far the surplus productive capacity will be reduced depends on the strength of market forces or demand. It should be noted that when the local labour supply was exhausted, the reaction of less developed countries was not resource reallocation or improvement of techniques of production, but rather seeking additional supplies of cheap labour. This is why there was, in the late nineteenth century, substantial movement of cheap labour from China and India.⁴³

Eliezer Ayal used a combination of the staples and vent-for-surplus approaches to economic backwardness, examining the nature of the staple's production function and its technological spread and linkage effects. The conclusion was that rice exports did contribute to the development of a

41 David Feeny, 'Paddy, Princes, and Productivity: Irrigation and Thai Agricultural Development, 1900-1940', *Explorations in Economic History*, vol.16, no.2 (April 1979), p.142.

42 Ibid., pp.142-3.

43 Sompop Manarungsan, *Economic Development of Thailand, 1850-1950: Response to the Challenge of the World Economy*, Bangkok: Institute of Asian Studies, Chulalongkorn University, 1989, p.9.

market economy and some infrastructural investment, but did not lay the base for development by increasing productivity.⁴⁴ This view can be criticised because the infrastructure linkage analysis does not explain why limited irrigation works, railway construction, and rice milling investment did not bring about economic development.

Attention will now be directed towards Chinese and foreign domination of commerce and industry. Most commerce and industry fell into the hands of Chinese and foreigners, and few Siamese engaged in business. There are several estimates of the number of Chinese in Siam, although Chinese assimilation into the Thai society makes all figures unreliable. William Skinner suggested that the inflow of Chinese during the 1920's was around 407 thousand people, averaging roughly 40 thousand each year.⁴⁵ Skinner notes:

This mass influx of Chinese resulted, quite simply, from favourable conditions in Siam and unfavourable conditions in south China. The 1920's saw a boom in rubber and tin production in South Siam, further trade, and a resumption of railroad construction - all of which contributed to a heightened demand for labour and entrepreneurial skill. As in the prewar years, Siam could boast the highest wage level in the East.⁴⁶

The Chinese population of Siam in 1927 was estimated by Skinner at 1.3 million, 11.7% of the total population.⁴⁷ The Chinese community in Siam consisted of five different groups: Cantonese, Hakka, Hainanese, Teochiu and Hokkien. A Foreign Office document argued that:

the bulk of the Chinese in Siam come from South China. About 65 per cent. come from Swatow and Amoy (Tieuchows, Hokiens, Keho, etc); from this class come the rice-millers, traders and coolies, including the mines in the peninsula. About 15 per cent. are Cantonese, mostly mechanics and fitters. About 15 per cent. or less are Haiams; these represent the house-servant class. The remaining 5 per cent. are nondescripts.⁴⁸

44 David Feeny, 'Competing Hypotheses of Underdevelopment: A Thai Case Study', *Journal of Economic History*, Vol.39, No.1 (March 1979), p.119.

45 G. William Skinner, *Chinese Society in Thailand: An Analytical History*, Ithaca: Cornell University Press, 1957, p.173. These figures are calculated from Table 6.

46 Ibid., p.174.

47 Ibid., p.183.

48 Waterlow to FO No. 131, 21 July 1926, F3499/3499/40, FO371/11719, PRO.



Remittances to China by Chinese immigrants should also be considered. The trade balance in the 1920's had shown a surplus. However remittances to China by local Chinese was a big issue for the Siamese government. An accurate estimate of their scale is difficult, because of a lack of statistics. However there were several estimates. The important point is that Chinese remittances were large, regardless of the precise figure. For example, Ingram estimates that:

One form of remittances has received much publicity in Thailand: namely, those sent by Chinese immigrants to their families in China. Various estimates - largely guesses - have been made of the magnitude of this item. If these estimates are approximately correct, remittances have comprised a significant drain on the Thai economy. For example, if remittances averaged 25 million baht from 1890 to 1941, the total would have been about 1,250 million baht, compared to an aggregate investment in railways and irrigation through 1941 of about 250 million baht. The total amount of government capital expenditure from 1892 to 1941, including those financed from foreign loans, was only about 380 million baht. Had the remittances been invested in Thailand the addition to the national capital would obviously have been of considerable importance.⁴⁹

Foreign domination in business can be seen in timber, tin mining, banking and trade. Among Europeans, the British were dominant in these sectors. It is important to note that British investment in Siam was not as diversified as it was in other Asian countries, such as India, Burma and Malaya.⁵⁰ However, for Siam, Britain was the largest investor during the 1920's and 1930's.⁵¹ British investment was not diversified into railway construction, plantations or infrastructure. This was largely because the Siamese government was afraid to allow any one country to make a large-scale capital investment and gain a strong economic position. British

⁴⁹ James C. Ingram, *Economic Change in Thailand, 1850-1970*, Stanford: Stanford University Press, 1971, p.204. The argument on Chinese remittances is on pp.204-5.

⁵⁰ Malcolm Falkus, 'Early British Business in Thailand', in R.P.T. Davenport-Hines and Geoffrey Jones (eds.), *British Business in Asia since 1860*, Cambridge: Cambridge University Press, 1989, p.117. 'British long-term investment in Siam in 1914 probably totalled less than £2 million, compared with investments of around £16 million in Burma and £25 million in Malaya at the same time.'

⁵¹ Malcolm Falkus, *op.cit.*, pp.122-4.

investment was concentrated in the teak and tin industries. In the teak industry, the British dominated from the late nineteenth century. On the other hand, in tin mining, the British entered, between 1918 and 1940, in competition with Chinese and Australian firms. Large investment in the teak industry was carried out by big British trading houses, the Borneo Company, Bombay-Burmah Trading Company and Siam Forest Company. In other words, the investment in teak required was so huge that British trading houses dominated. In addition to this, there was a lack of competition from Chinese businessmen. British investment in mining involved capital-intensive machinery, notably bucket dredging.

British dominance in the teak industry appeared after the Treaty of Chiang Mai in 1883. Before this treaty, chiefs (*chaos*) in the northern provinces were autonomous, and gave forest concessions mainly to small-scale Burmese contractors. Malcolm Falkus noted three points in this treaty:

first, it extended (and modified at the same time) the extraterritorial privileges of the Bowring Treaty to the north, providing a resident British Vice-Consul in Chiang Mai; second, it established the right of the Bangkok government to a measure of control over the terms of forest leases and to a share of the revenue produced; and third, the treaty opened the way for Western firms to cut logs themselves, instead of buying them from native foresters.⁵²

The three biggest British firms were the Borneo Company, the Bombay-Burmah Trading Company and the Siam Forest Company. The Borneo Company used a personal connection with the Royal Family to expand its business, when it moved from Burma to Siam because of the near-exhaustion of teak in Burma.⁵³ During the 1920's most of the forest business was carried out by European companies. The British had invested

⁵² Ibid., p.137.

⁵³ For example, Anna Leonowens, home tutor to the children of King Mongkut between 1862 and 1867, was recommended by the Borneo Company. Her son, Louis, had worked for the Borneo Company as the agent in Raheng (Tak), and later established his own firm, Louis T. Leonowens to engage in the teak business.

a huge amount in the teak industry.⁵⁴ Even though teak exports fell from 10% in the 1910's to 3 or 4 % of total export value in the 1920's, the British still dominated the industry. Among the big five foreign companies, four were British.⁵⁵ According to the Foreign Office Annual Report of 1926, there were twenty-eight teak leases in force.⁵⁶ The report estimated that about 85% of the teak forests were worked by European firms, 14% by local leasers, and 1% by the Forest Department. The report noted that some 5 million pounds was invested in the industry. Europeans dominated not only teak concessions but also the large saw-mills in Bangkok and exports.

Chinese participation in this sector was very limited. Even though some big Chinese companies, like Wing Seng Long or Lamsam, were present, their investments were much smaller than that of the European companies. In addition, Chinese operated small and medium-sized saw mills in Bangkok.

The development of tin mining was quite different from that of the teak industry. In the early stages, Chinese dominated because of their labour-intensive technology and the supply of cheap labour from south China through the Straits Settlements. The opportunity for Western firms to advance came around 1905, when new capital-intensive technology was needed. At the same time, the cost of production in Malayan mines began to rise because of the need for more capital-intensive technology to work the poorer deposits. Siam emerged as a new source of supply. Malcolm Falkus

⁵⁴ According to the Foreign Office Annual Report in 1922, between 500 and 1,000 elephants, each one worth from £400 to £700, were needed to girdle or fell timber. 'The value of the logs in the rivers alone, which take approximately from four to eight years to reach the capital from the time of felling, is something like £2,500,000. Many of the firms' agents are public school and university men, and their standard of education, living and general conduct is unusually high.' in Greg to FO No.13, enclosing Annual Report for 1922, 17 January 1923, F656/656/40, FO371/9251, PRO.

⁵⁵ See details on these companies in Akira Suehiro, *Capital Accumulation in Thailand 1855-1985*, Tokyo: Centre for East Asian Cultural Studies, 1989, p.57-63.

⁵⁶ Waterlow to FO No.39, enclosing Annual Report for 1926, 22 February 1927, F2874/2874/40, FO 371/12535, PRO.

made several important points about the tin industry.⁵⁷ British investment in tin came many decades after Siam's tin was first exported on a significant scale. Even in 1914, London-registered companies had made only a modest start, Australian-registered companies were much more significant. Second, teak investment was undertaken mainly by major trading companies, tin investment normally by specialised tin dredging companies. Third, Western enterprise in tin used capital-intensive technology, especially dredging. Fourth, British tin enterprise had to face considerable opposition from both Chinese competitors and local provincial governors, themselves often Chinese. Lastly, Western control was furthered by the Great Depression of the 1930s and the commitment of Siam to the international tin restriction schemes after 1931, for these saw the collapse of many of the independent firms, leaving the major London-based holding companies dominant.

⁵⁷ Malcolm Falkus, 'Early British Business in Thailand', in R.P.T. Davenport-Hines and Geoffrey Jones (eds.), *British Business in Asia since 1860*, Cambridge: Cambridge University Press, 1989, p.146.

Table 2-1 Exports and Imports 1920-21 to 1938-39

Year	Exports Baht	Imports Baht	Balance Baht
1920-21	*90,492,501	159,676,275	** -69,183,774
1921-22	183,620,381	144,542,065	39,078,316
1922-23	170,459,164	144,250,903	26,208,261
1923-24	201,552,242	149,860,522	51,691,720
1924-25	203,079,862	169,369,822	33,710,040
1925-26	244,731,247	181,377,408	63,353,839
1926-27	239,265,988	196,520,429	42,745,559
1927-28	276,269,363	201,080,535	75,188,828
1928-29	252,474,784	189,790,506	62,684,278
1929-30	219,772,893	206,713,078	13,059,815
1930-31	161,518,891	155,008,887	6,510,004
1931-32	134,206,840	99,908,837	34,298,003
1932-33	152,522,494	88,497,423	63,025,071
1933-34	144,079,014	92,963,381	51,115,633
1934-35	172,594,870	101,726,721	70,868,149
1935-36	158,218,323	108,754,047	49,464,276
1936-37	184,361,153	110,043,648	74,317,505
1937-38	169,492,804	111,824,481	57,668,323
1938-39	204,422,088	129,630,731	74,791,357
* Prohibition of Exports of Rice.			
** Adverse Balance due to the Prohibition of Exports of rice			
(Source)	Central Service of Statistics,		Statistical Year
	Book Thailand 2480-2481 (1938-39),		Bangkok, p74.

Table 2-2 Government Revenue and Expenditure 1920-21 to 1938-39

Year	Revenue (Net) Actual Baht	Expenditure (a) Actual Baht	Surplus(+) or Deficit(-) Actual Baht
1920-21	80,340,177	80,363,501	-23,324
1921-22	79,624,942	79,389,644	+235,298
1922-23	78,076,581	80,424,674	-2,348,093
1923-24	81,598,588	84,233,989	-2,635,401
1924-25	85,182,219	89,674,480	-4,492,261
1925-26	92,712,662	94,651,651	-1,938,989
1926-27 (b)	100,590,765	100,551,546	+39,219
1927-28	117,442,511	117,390,930	+51,581
1928-29	106,963,080	106,921,012	+42,068
1929-30	107,117,934	107,102,488	+15,466
1930-31	96,322,219	96,304,915	+17,304
1931-32	78,943,233	87,482,123	-8,538,890
1932-33	79,651,369	70,232,968	9,418,401
1933-34	83,734,821	73,639,315	10,095,506
1934-35	94,004,764	75,821,788	18,182,976
1935-36	94,663,495	85,075,840	9,587,655
1936-37	120,318,856	98,141,153	22,177,703
1937-38	109,412,311	101,658,534	7,753,777
1938-39	118,233,206	110,713,159	7,520,047
(a) Expenditure debitable to Revenue			
(b) The expenditure figures from B.E.2469 (1926-27) include some appropriations for the financing of capital expenditure.			
(Source) Same as Table 2-1, pp.272-3.			

Table 2-3 Revenue by Main Classifications 1920-21 to 1938-39									
Year	Direct Revenue		Revenue From Taxation		Other Revenue		Total Revenue		
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	
1920-21	41,369,925	51.49	32,268,440	40.17	7,076,188	8.67	80,340,117		
1921-22	35,073,703	44.05	37,781,362	47.45	6,769,877	8.5	79,624,942		
1922-23	33,547,036	42.97	37,901,496	48.54	6,628,049	8.49	78,076,581		
1923-24	35,157,701	43.09	39,364,699	48.24	7,076,188	8.67	81,598,588		
1924-25	37,058,739	43.51	40,515,165	47.56	7,608,315	8.93	85,182,219		
1925-26	42,530,229	45.87	42,047,177	45.35	8,135,316	8.78	92,712,662		
1926-27	45,345,054	45.08	47,327,243	47.05	7,918,468	7.87	100,590,765		
1927-28	50,137,426	42.69	58,406,084	49.73	8,899,001	7.58	117,442,511		
1928-29	44,024,096	41.16	53,825,118	50.32	9,113,866	8.52	106,963,080		
1929-30	41,188,909	38.45	52,456,672	48.97	13,472,353	12.58	107,117,934		
1930-31	33,003,165	34.26	46,249,077	48.02	17,069,977	17.72	96,322,219		
1931-32	23,134,813	29.31	43,834,269	55.52	11,979,151	15.17	78,948,233		
1932-33	22,062,774	27.7	46,157,599	57.95	11,430,996	14.35	79,651,369		
1933-34	26,407,208	31.54	47,929,383	57.24	9,398,230	11.22	83,734,821		
1934-35	29,819,000	31.72	52,777,110	56.14	11,408,654	12.14	94,004,764		
1935-36	29,519,345	31.18	52,868,572	55.85	12,275,578	12.97	94,663,495		
1936-37	42,515,625	35.33	62,765,763	52.36	15,037,468	12.5	120,318,856		
1937-38	42,187,897	38.56	55,029,672	50.29	12,194,742	11.14	109,412,311		
1938-39	43,112,034	36.46	62,485,841	52.85	12,635,331	10.69	118,233,206		
(Source)	Same as Table 2-1, pp.274-5.								

Table 2-4 Main Revenue Items from 1920-21 to 1938-39					
Year					
1920-21	1. Opium	2. Interest	3. Excise	4. Capitation	5. Customs
Value Ticals	19, 889, 324	8, 662, 488	8, 219, 792	8, 176, 495	6, 230, 727
per cent	24.8	10.8	10.2	10.2	7.7
1925-26	1. Opium	2. Custom	3. Excise	4. Land	5. Railway
Value Ticals	18, 213, 320	11, 369, 174	10, 470, 231	10, 177, 920	9, 000, 490
per cent	19.6	12.3	11.3	11	9.7
1929-30	1. Custom	2. Opium	3. Land	4. Railway	5. Capitation
Value Ticals	20, 741, 925	15, 291, 043	10, 306, 166	10, 217, 000	9, 687, 289
per cent	19.4	14.2	9.6	9.5	9
1935-36	1. Custom	2. Opium	3. Excise	4. Land	5. Capitation
Value Ticals	28, 781, 807	8, 237, 166	7, 432, 570	7, 072, 365	6, 921, 346
per cent	30.4	8.7	7.9	7.5	7.3
1938-39	1. Custom	2. Railway	3. Opium	4. Capitation	5. Land
Value Ticals	36, 367, 657	15, 927, 887	10, 388, 210	7, 738, 272	7, 422, 329
per cent	30.8	13.5	8.8	6.5	6.3
(Source)	Same as Table 2-1, pp.276-9.				

Table 2-5. Expenditure by Ministry, from 1920-21 to 1938-39										
Ministry	Defence	Finance	Foreign Affairs	Lands and Agriculture	Public Instruction	Interior (1)	Justice	Economic Affairs	Royal Accounts	Total Expenditure
Year										
1920-21	21,519,639	6,900,721	1,549,533	2,511,061	2,335,251	18,061,682	3,724,514	3,613,883	9,787,363	80,363,501
Ticals	26.8	8.6	1.9	3.1	2.9	22.5	4.6	4.5	12.2	100
per cent										
1925-26	22,399,532	6,596,681	1,615,847	4,065,050	2,738,433	14,596,464	5,115,778	4,745,492	10,247,219	94,651,651
Ticals	23.7	7	1.7	4.3	2.9	15.4	5.4	5	10.8	100
per cent										
1926-27	20,571,000	6,153,011	1,719,067	3,594,369	2,884,313	13,362,664	4,877,974	4,915,419	6,972,057	100,551,546
Ticals	20.5	6.1	1.7	3.6	2.9	13.3	4.9	4.9	6.9	100
per cent										
1929-30	21,171,000	6,512,134	1,242,188	4,653,901	3,422,591	19,324,063	3,002,367	9,169,032	7,000,946	107,102,488
Ticals	19.8	6.1	1.2	4.3	3.2	18	2.8	8.6	6.5	100
per cent										
1935-36	23,163,773	6,238,537	747,576	3,808,113	9,378,304	18,491,877	2,188,773	3,002,117	1,295,470	85,075,840
Ticals	27.2	7.3	0.9	4.5	11	21.7	2.6	3.5	1.5	100
per cent										
1938-39	27,880,208	7,263,668	942,384	5,143,610	14,721,720	22,291,499	2,454,742	12,619,748	1,200,303	110,714,069
Ticals	25.2	6.6	0.9	4.6	13.3	20.1	2.2	11.4	1.1	100
per cent										
(Source)	Same as Table 2-1, pp.282-3.									

3.1. Introduction

In this chapter, three economic plans will be examined. They are Mangkorn Samsen's plan in 1932, Pridi Phanomyong's plan in 1933 and Phra Sarasas' plan in 1934. These are among the most important economic plans submitted after the constitutional revolution on 24 June 1932.

Before examining these plans, there is a fundamental question to be put - why were more than a dozen economic plans submitted after the revolution? The world economic depression had affected the Thai economy from 1929 and the slump of rice exports and economic deterioration in the early 1930's had caused severe discontent among farmers and civil servants. This became a hot issue in the media, and many articles about the economic recession appeared before the revolution in 1932. This meant that the political and economic background was already ripe for change before 1932. It seems natural that plans were submitted to deal with the economic crisis. Second, the People's Party had to deal with the economic crisis to improve the well-being of the people. But the People's Party had no economic base at that time and therefore it was an urgent task to establish one. The prominent economic principle of the Party, government intervention in the economy, can be linked to this. Thirdly the constitutional revolution on 24 June 1932 brought about a new age. Even though the new ruling class consisted mostly of the ancien regime - civilian and army promoters, M.Ps., lawyers, and merchants, participated in the discussion of political and

economic matters in Parliament.

The three authors of the plans played an important role by expressing their ideas to create a new state. The important point here is that their plans were quite different from the other plans or economic policies because these three were comprehensive economic plans. In other words, they included not only an ideology and vision for the new state but various practical economic measures to deal with the economic crisis.

Although the three authors of these plans had a substantial influence on Thai society, only Pridi has been fully studied. Mangkorn Samsen and Phra Sarasas have been neglected in Thai history, even though there are many documents in the National Archives about them, and they expressed their political and economic ideas to the government many times.

These three plans had a strong impact on Thai society, so that serious arguments were voiced and various counter-plans, like those of Mano and Komarakun, emerged. In addition there was confrontation between these three authors and the foreign advisers.

There are two main themes to be discussed here. First, why did these three men submit economic plans? This question is examined in terms of the authors' educational backgrounds and careers. Each plan had a different background. For example, Mangkorn Samsen submitted his plan when he was appointed an M.P. In the case of Pridi, the situation was quite different because he was responsible, through the People's Party, for drawing up an economic plan to promote the economic well-being of the people. Phra Sarasas presented his plan when he was the Minister of Economic Affairs in 1934. In this context, it is necessary to consider the authors' educational background. Mangkorn had never studied abroad, but the others, Pridi and Phra Sarasas, had studied in France. This difference is

crucial in understanding the background of the plans. For example, Mangkorn expressed anti-foreign ideas but Phra Sarasas accepted foreign participation in government projects. Their careers were also different. For example, Mangkorn had many occupations, as a lawyer, rice miller and merchant, manufacturer of coconut oil and sugar and M.P. Pridi was a statesman, lawyer, educator and scholar. Phra Sarasas was a diplomat, journalist and the Minister of Economic Affairs. He also played an important role as a journalist, under the pen-name '555' in various Thai papers during the 1930's.

The second main issue concerns the economic ideas behind the plans. It is difficult to categorise the plans into socialist and nationalist. It can be said that Pridi's and Phra Sarasas' plans are socialist, but there are clear differences between them. Pridi supports state intervention in land, capital and labour. Phra Sarasas stressed government intervention in the economy, but opposed the concentration of land, capital and labour in government hands. Both thought that co-operatives were vital, but Phra Sarasas suggested the establishment of co-operatives which had the functions of selling, buying and banking, in contrast to Pridi's state co-operatives.

Mangkorn Samsen expressed strong anti-foreign ideas in his plan. Nationalism has two meanings here - anti-foreigner and anti-Chinese. In spite of his Chinese origins Mangkorn attacked not only foreign merchants but also Chinese. His proposal to encourage Thai merchants is important, because he clearly opposed the role of foreign and Chinese merchants. Phra Sarasas also emphasized nationalism, although his nationalism is different from that of Mangkorn. Although Phra Sarasas supported government intervention in the economy, he did not reject foreign capital participation. In other words, Phra Sarasas thought that foreign capital and technology were vital for Siamese economic development. Mangkorn also

promoted import substitution, with which other Asian nations, like China and India, had had success.

Apart from their economic ideas, the ideology of each author will be examined, in connection with their educational backgrounds. Pridi was obviously influenced by French socialism during his stay in France from 1920 to 1927. Pridi maintained that his plan consisted of capitalism, socialism, solidarism and liberalism. And according to Thipphawan, Pridi's economic plan was guided by four principles: socialism, solidarism, humanitarianism and nationalism. An examination of each principle is essential to reveal Pridi's ideology. With reference to Phra Sarasas, his letters written in Paris in 1930 which sought to bring about a revolution in Siam, give important clues to his political ideas.

3.2. Mangkorn Samsen's Economic Plan of 1932

Mangkorn Samsen submitted his economic plan to the Assembly on 4 July 1932.¹ His plan was probably the first economic plan after the constitutional revolution on 24 June 1932. In this section, there are two main points to be discussed. Firstly, why did he prepare an economic plan? Secondly, what is his economic plan? More attention should be given to Mangkorn Samsen because he has been neglected in the study of Siamese economic history. His education and background as a merchant will be considered in relation to his economic plan. He will be reassessed in terms of his business life as well as his economic thought. He was one of the few politicians who had real business experience. His businesses included a rice mill, a coconut oil plant, mining, a rubber plantation, a sugarcane plantation, sugar refining and a tanning factory. Moreover he was the first person to draft a national economic plan and he made many interesting statements on economic

¹ *Lak Muang*, 21 July 1932.

matters in the Assembly.

Information on Mangkorn Samsen is available from various sources. His cremation book is useful for details of his life, family and business activities.² His economic plan and political activities can be traced in the Thai National Archives, the record of the proceedings of the Assembly, and in local newspapers.³

Mangkorn Samsen was the eldest son of Keengsan Samsen and Poo Samsen, and he was born on 3 July 1888. It is difficult to describe in detail his early life because of limited information, but it is clear that he studied Thai and English at a local temple and studied Chinese through a private tutor at home. He specialized in law, and after graduation he worked as a public prosecutor in Nakhonpatom Province.⁴ He showed an interest in business and manufacturing when he was a public prosecutor. Sa-ngiam Phisansalakaset suggests that Mangkorn resigned from this job because of the low salary.⁵ After his resignation he became a lawyer in Bangkok and worked with a foreign lawyer, Mr. Pruk, before he went independent. In 1943, he abandoned the profession.

Mangkorn Samsen's economic plan can be found in the Thai newspaper, *Lak Muang* from 21 July to 31 July 1932.⁶ This newspaper printed the full text of his economic plan. In addition, *Bangkok Times Weekly*

² *Tamnanphutthacedi Somdephracao borommawongthoer Kromphraya Damrongrachanuphap phimnai ngan chapanakitsop Nai Mangkorn Samsen* (Cremation Volume of Mangkorn Samsen), Wat Mongkutkasattriyaram, 21 December 1947.

³ *Raigakanprachum Saphphuthenrasadon* (Minutes of the National Assembly), 20/2475, 55/2475, 4/2476, 14/2476, 21/2476, 24/2476, 21/2477. See Mangkorn's file in the National Archives, S.R.0201.8/18.

⁴ There was no Mangkorn in the graduate list of the Law School. However in an interview with Sakrai Samsen, son of Mangkorn in August 1995, I was told that Mangkorn studied law at the Law School without obtaining a degree. His family root is Hainan.

⁵ *Tamnanphutthacedi Somdephracao borommawongthoer Kromphraya Damrongrachanuphap phimnai ngan chapanakitsop Nai Mangkorn Samsen* (Cremation Volume of Mangkorn Samsen), Wat Mongkutkasattriyaram, 21 December 1947. According to Sa-ngiam Phisansalakaset, he met Mangkorn in Phetchaburi Province when he was a vice-governor. At that time, a civil servants salary was between 100 and 200 baht a month.

⁶ *Lak Muang*, from 21 July to 31 July, except 25 July, 1932. The title is 'Khongkan setthakit phanitchakan Kasikam lae Utsahakam khong Mangkorn Samsen'.

Mail of 20 and 21 July 1932 summarised Mangkorn's plan.

His economic plan consists of an introduction and nineteen parts. In the introduction Mangkorn Samsen focused on the poverty of the previous ten years, describing the rapid economic change of the past as follows:

A quarter of a century ago there were well to do.....The people generally had money to spare to help their poorer relatives and friends. They had land and homes of their own; they were happy and prosperous, and sold much rice, both by land and water. In the last ten years poverty has gradually become general. The trade formerly in the hands of our people is ended, being seized by foreign merchants with their tricks. There are no more Siamese merchants; and the land and homes of the cultivators have nearly all been sold or mortgaged, having passed into the possession of wealthy people and foreigners.⁷

There may have been at least two reasons for him to write this plan. The first, as noted in the *Bangkok Times Weekly Mail*, was his position as a Senator. 'I am myself a citizen of Siam and have the honour to be a member of the Senate. It is my duty therefore to help the People's Party to the best of my ability.'⁸ Second, he was one of the few Siamese politicians who had real business experience. This experience led him to present an economic plan because of the poor economic situation. The argument here involves his relations with the People's Party. At that time he was sympathetic towards the People's Party, but in 1933 he criticized the Party's third manifesto. Why did he change his attitude?

Mangkorn Samsen described the economic problems facing Siam.

Apart from the world economic depression there are six reasons for the depression in Siam: (1) the people's means of earning a livelihood has been strangled; (2) Siam lacks Siamese merchants; (3) Siam lacks industries; (4) Siam has no national bank; (5) the Siamese do not help one another enough; (6) the high value of the currency reduces the price of all produce.⁹

Mangkorn explored each reason with many examples. For the first he

⁷ *Bangkok Times Weekly Mail*, 20 July 1932.

⁸ Ibid.

⁹ Ibid.

noted that Siam's farmers lacked modern agricultural tools, scientific methods, co-operative credit and agricultural banks. High rates of interest and rent took from 35 to 40 per cent of the value of the farmer's output, leaving him in a poor condition. The second factor was also supported with several examples. First, he noted, 'there are not a hundred Siamese merchants in the whole country buying and selling to the cultivator. The tricky foreign merchants buy cheap and sell dear.'¹⁰ For the third reason he suggested that without industries such as sugar factories, cotton weaving, and gunny bag manufacture, Thais had to spend a lot of money on expensive imports. Therefore these factories should be established in spite of the low profitability of large scale industries in the kingdom. The fourth point concerned the European banks and Chinese exchange houses which made huge profits through financing Siam's exports.¹¹ The fifth factor was about the character of the Siamese: 'The Siamese are too hostile to one another. If they were as mutually helpful as the Chinese and Indians, they would be more prosperous.'¹² The last point focused on rice exports to Hongkong and Singapore. The high value of the baht brought Siam less income for her exports. He suggested devaluation to the earlier rate.

His arguments can be summarised in two main points. First, he pointed to the lack of government support. There was no co-operative credit or agricultural bank; no national bank to support commerce, agriculture or trade; the exchange rate was too high. Second, he noted the exploitation by foreign merchants, the European banks and Chinese exchange houses. Mangkorn tried to analyse Siam's economic problems in terms of internal and external factors, with the emphasis on external factors.

The second part of his plan was published in *Lak Muang* from 24 to

10 Ibid.

11 Ibid. Mangkorn noted that the cost of import financing was one percent per month, but five percent for financing exports.

12 Ibid.

31 July 1932. Here several concrete measures for prosperity were proposed. First was the establishment of a National Bank, with the aim of initiating co-operative credit movements for cultivators. The purpose of the bank was to assist farmers, co-operatives, commerce and industry. An able Siamese manager and an expert American adviser would be required for the bank. The total capital required was three million baht.

Second, Mangkorn suggested establishing a company to buy raw materials. It would find markets for Siamese products at home or abroad in order that the kingdom would not have to rely on imports for products which Siam could in fact produce itself. In other words, the proposed company would compete against foreign and Chinese import merchants. Siamese products such as cotton, hemp, corn, lacquer, pepper, castor seeds, silk, soybean and bean sprouts faced strong foreign demand. Mangkorn pointed out that Manchuria exported these products far more than Siam. He stressed that guaranteeing purchase of these products from Siam's farmers was vital, because in the past Siamese civil servants had introduced new crops but then nobody had bought them. He also argued that the company would offer students an opportunity to study and practice commerce, in order to encourage a class of Thai merchants. In other words he thought highly of real practice in commerce, in much the same way as Chinese gained skills and knowledge in shops rather than by studying at school. The total amount of capital for the company would be two hundred thousand baht.

Third, a new agricultural company would engage in large scale cultivation. This might suggest a socialist collective farm. But his model farm was quite different in terms of capital, land ownership and participation.

We have a vast amount of land uncultivated, so there should be no difficulty about getting the necessary land. In this way our labourers will be provided with jobs, and

students of agriculture will find a ready school in the practice of the cultivation of the land. The company would be backed by the government in the matter of capital, the application of scientific methods and other facilities. Cultivators could get land on the model farm which they could cultivate under supervision, and in ten years these model farms could be sold out to trained men or families.¹³

Regarding capital, the government and the people would each be required to invest fifty percent. The company would aim to reduce expenditure in order to make a profit. Profits would be divided - for the company one-third and for farmers, two-thirds.

Fourth, the company would be responsible for providing farmers with modern scientific methods, including the lease of tractors and pumps. Most farmers tilled land with a hoe, so that the company would bring about an increase in the productivity of the land by working with machinery. A cattle-breeding company would be established to supply livestock, and fresh milk and butter.

Fifth, Mangkorn proposed the establishment of a rice-mill by Siamese. He hoped that Siamese rice-millers would end the exploitation by foreign middlemen and restore the good reputation of Siam's rice. In addition he argued that a Siamese shipping line was essential in exporting rice to foreign markets, in order to challenge the high rates charged by foreign shipping companies. The cost of the rice mill would be about twenty thousand baht and the site of its construction would be Bangkok.¹⁴ The company would export directly to Hong Kong, Singapore and Europe. Branches in Hong Kong, Singapore and Java would be proposed. Mangkorn's proposal is worth considering in the context of the establishment of the Thai Rice Company in 1938, although there is no evidence that Mangkorn's proposal led directly to its establishment. Mangkorn was one of the first merchants to promote business and investment by the Thai people, in spite of his Chinese origins. Phraya

¹³ *Bangkok Times Weekly Mail*, 21 July 1932.

¹⁴ Near the central power station in Samsen.

Phiromphakdi and Phraya Phakdinorasaet (Lert Saetthabut) also belonged to this group. These capitalists had a strong desire to promote manufacturing industry, despite insufficient capital and backward technology. The initial purpose of the Thai Rice Company was to eliminate control of the rice trade by foreign merchants, and later to expand operations into milling and the domestic distribution of rice. Second, Mangkorn thought highly of the business ability of Ma Lap Khun, a large rice miller. Mangkorn recommended Ma Lap Khun as a member of the Setthakithaengchat in 1933. This will be discussed later. Ma Lap Khun was appointed managing director of the Thai Rice Company in 1939. Third, Mangkorn argued that a Siamese shipping line was vital to the export of rice, eliminating the foreign shipping companies. This should be considered in the context of the establishment of the Siamese Steamship Company in 1918, and its collapse in 1926. This company was financed by the Thai Navy and the Privy Purse Bureau in order to develop Siamese trade. Brown explained its collapse as follows:

the Siamese Steamship Company possessed no form of protection against foreign competition, and therefore it failed in the face of the highly-integrated shipping networks created by the major Western lines operating in Eastern seas.¹⁵

Mangkorn's proposal for a shipping line may have learnt from this failure.

Mangkorn also suggested the establishment of a new rice mill, to mill 200 coyan per day. The functions of the rice milling company were as follows: (1) Siamese merchants would buy and sell rice; (2) to train book-keeping, commercial, and engineering students; (3) to have agents in the leading markets for Siam's rice, such as Hongkong, Singapore and Java; (4) to provide a shipping service and (5) to establish a system of buying paddy directly from the cultivator. He showed his confidence in this proposal by saying that: 'If the People's Committee agree with this and wish to open such a company I hereby offer my services to open this milling company in six

¹⁵ Ian Brown, *The Élite and the Economy in Siam c.1890-1920*, Singapore: Oxford University Press, 1988, p.178.

months time - in time for the coming rice selling season.¹⁶

The last part of the article concerned other possible industries, including the timber trade, manufacturing gunny-bags, weaving cotton, manufacturing glass and porcelain, and tobacco products.¹⁷ Regarding the timber trade, Mangkorn suggested that the business should be open to Siamese in spite of their indifference and lack of skill. He maintained that the government would allow foreign companies to continue in the business, but with the renewal or approval of new concessions to foreign companies being examined carefully. If possible, the timber trade should be a protective industry for the Thai so that Thai traders would have an opportunity to increase their competitiveness. Other industries which Mangkorn recommended were to engage in import substitution, for example, food stuffs (canned milk, sugar & molasses, flour), raw materials (kerosene and benzine), light industry products (rubber products, electrical appliances & matches, gunny bags, machinery, metals, paper, cotton products and tobacco). It is important to note that he mentioned only the industries with high import substitution potential. Machinery or chemical industries were not recommended. The possible import substitutions could be produced in Siam with little capital. For example, with the gunny bags project, hemp could be produced easily in Siam because of its climate and labour conditions. Farmers were idle for four or five months after harvesting rice. Gunny bags were used in rice export, and thus there was a strong demand in Siam. Exporters could claim import tax rebates when they exported rice with imported gunny bags. Therefore, the import duty rebate did not benefit the government in terms of revenue, or the people in terms of employment.

¹⁶ *Bangkok Times Weekly Mail*, 21 July 1932. Mangkorn was engaged in rice milling in Bangkok.

¹⁷ Mangkorn also suggested the following: sugar factories, flour mills, coconut oil and castor oil factories, paper factories and a company to promote arts and science. See details in the *Bangkok Times Weekly Mail*, 22 July 1932.

Mangkorn pointed to the success of producing gunny bags in Calcutta. His point was to recommend the hiring not of expensive foreign experts but cheap Indian experts. He thought that Indian experts and engineers would contribute to the improvement of hemp planting and the quality of the bags. He thought that no Siamese merchant would invest in such an experimental venture and that therefore the government should provide the capital.

His economic plan can be summarized in several points. First, nationalism, especially anti-foreign feelings, were emphasized. His target was not only the European merchant but also the Chinese middleman and moneylender. He used two expressions in Thai to attack: 'Khon tang chat', for European merchants; 'Chin' or 'Ceg', for Chinese merchants. In spite of his Chinese origins, Mangkorn sought to encourage Siamese merchants, including Chinese with real Thai hearts and respect for the nation.¹⁸

Second, his plan was project oriented. It was quite different from those of Pridi and Phra Sarasas. His ideology was mainly expressed in the introduction, the other parts described various projects. There are three points to be emphasized. First, his engagement in business was important. His business experience included timber trading, a coconut oil plant, rice milling, mining, a rubber plant, sugarcane and sugar refining.¹⁹ Through

¹⁸ According to Mangkorn's daughter, Bunkua, Mangkorn thought of himself as Thai (even though he was of Chinese origin), and he was loyal to the Nation and King. Her father's aim was to strengthen the country's economic base. Therefore his economic plan was based on the idea, 'Thai tham, Thai chai'. See his cremation book.

¹⁹ His business started with timber trading in Phichit Province. His business in Bangkok included a coconut plant and a small rice mill at Samsen. It is interesting to note that he was keen on the latest machinery and technology. In fact, he imported a compressor from Germany in 1926, and established the largest coconut oil plant in Siam at Samsen at that time. His business interests led him to purchase about 8,000 rai (1,280 ha) of land in Samutprakarn. He converted this land into a rice plantation, with machinery and 300 wage workers, including three Americans. His businesses in the 1930's included mining on Samui island in 1933, a rubber plantation in Yala Province in 1935, a sugarcane plantation and sugar refining plant at Ubonrachathani in 1937. Later this sugar refinery was moved to Chonburi Province. He established Thai Kasikon Utsahakam (Thai Agricultural Industry Company) to take care of this business.

these various business experiences, Mangkorn could suggest several projects, pointing out the problems and advantages. Second, Mangkorn made a suggestion about the rice trade between European and Chinese merchants in 1929, before the constitutional revolution.²⁰ At that time, as a rice merchant, Mangkorn asked the government to pay attention to the deterioration in the position of the farmers caused by conflict between European and Chinese merchants. The important point here is that Mangkorn was contacting the government well before 1932. Besides his plan, Mangkorn submitted his own proposal to establish a sugar refining plant in Chonburi in November 1932, asking support from the government.²¹

Thirdly, his plan emphasized import substitution. He stressed gradual import substitution, from raw materials to light industrial products, which it might be possible for Siam to produce. It is interesting to note that he mentioned China and India as models of import substitution for Siam.

Fourth, he recommended government involvement only in those projects too difficult for the private sector. In other words, government participation was recommended only for the first stages, later, given success, the people would be encouraged to invest in these projects. On this point Mangkorn is quite different from Pridi and Phra Sarasas.

²⁰ R.7.Ph.8/4. N.A. See his letter to Prince Purachatra, the Minister of Commerce and Communications, on 24 December 1929. In this letter, Mangkorn reported that European merchants in Bangkok had asked the Chinese rice millers to change their contract to allow for the delivery of rice to the warehouses of the buyers (Europeans) in order for them to check weight and quality. The reason was that at that time, rice exports to Europe and Cuba were of poor quality and incorrect measure, which caused huge losses to the European buyers.

²¹ S.R.0201.8/18. N.A. An official letter from the Minister of Agriculture and Commerce to the President of the Assembly, dated 18 November 1932, discussed Mangkorn's request to establish a sugar plant in Chonburi. Mangkorn asked the government for tax concessions, an import duty increase, a ban on the establishment of other plants, and permission to use a huge plot of land, of 1,200 rai, for a sugarcane plantation. A letter from the Prime Minister to Mangkorn Samsen, 4 January 1933, indicates that the government would support his plan, on condition that Thai investment and employment was more than 50 percent.

Fifth, co-operatives were not important in his plan. In the other economic plans, co-operatives were considered among the most important policies, but Mangkorn did not stress co-operatives. It seems that his background as a merchant made him see the role of companies as more important than co-operatives.

Sixth was the important role of a national bank. He regarded the national bank as the financial core to provide loans to the various projects. To put it another way, the national bank would link agriculture, industry and commerce. He did not fully explain the details of the national bank.

Seventh, Mangkorn emphasized small capital investment. It is important to note that there were few big projects like the national bank or the raw material purchasing company. It seems he thought that a small investment would test viability of each project. In addition, hiring Asian experts and engineers, such as Indians and Chinese would save expenditure.

Last, he proposed education in commerce at these companies. Job experience was more important than studying at school. His ideas remind us of the methods of Chinese merchants, who teach and practice commerce to employees at their shops every day.

Several comments on Mangkorn's economic plan appeared in the *Bangkok Times Weekly Mail*. There were three critics and two sympathetic writers. The former appeared in the issues for 21, 22, and 23 July, the latter on 26 July and 2 August 1932. It is difficult to identify the writers, because they used pseudonyms. The critics may have been foreign merchants, because they supported foreign merchants. 'Great Thinker' started by saying:

Nai Mangkorn makes but a passing reference to what every thinking Siamese knows to be the root cause of Siam's financial difficulties - "apart from the world economic depression, there are six reasons for the depression in Siam." It is worthy of note that he does not say: "In

addition to the world economic depression there are six reasons." So the world economic depression is, in Nai Mangkorn's view, a subsidiary and not a primary reason. If he makes an effort to make his countrymen apply that line of thought to the settlement of their problems, the result may be disaster.²²

Critical comments concentrated on Mangkorn's first, second, fourth and sixth points. On the first and second, A.B. said:

My own commercial experience in Siam carries me back 45 years to 1888, and the foremost Siamese merchant then was Nai Sin (Phya Samud) here in Petrieu, but there were very few others. Even at that time the major portion of the trade was in Chinese hands, as it is today, with a small proportion in European hands.²³

A.B. also said:

Since trade was never in the hands of the Siamese, it is improper to state that it was seized by the foreigners by tricks. Were trading as easy as the Senator imagines, there would be plenty of Siamese trading. The field has always been open to all and everyone, without restriction.²⁴

Another comment concerned the positive role of foreign merchants. 'Great Thinker' asked:

Does Nai Mangkorn realize that the export of Siamese Rice and Siamese Teak and other products is due entirely to the fact that the foreign merchant has created a demand for them, which the Siamese, not up to the present having been a trading people, could not have created themselves? So of what value would the million superfluous coyans per annum of Rice be to them, if the foreign merchant had not created a market for it; and not only created a market but provided the means of financing the business and of carrying the cargo overseas? Does Nai Mangkorn realize that the entire commerce of Siam has been organized by the foreign merchants?²⁵

Another writer, PRO PATRIA, pointed out that Mangkorn was himself a 'luk-chin', and that his businesses had close relations with Chinese rice mills.²⁶

Mangkorn's fourth point was severely criticized. The interest rate figure he quoted, 60 per cent per annum, was disputed. A.B. pointed out:

Following the ill-conceived linking of the tical to the dollar at too high a rate, the Banks

²² *Bangkok Times Weekly Mail*, 22 July 1932, 'Some Comments, Criticism of the Proposals'.

²³ *Bangkok Times Weekly Mail*, 21 July 1932, 'Trade in Siam, A Business Man's Opinion'.

²⁴ Ibid.

²⁵ *Bangkok Times Weekly Mail*, 22 July 1932, 'Some Comments'.

²⁶ *Bangkok Times Weekly Mail*, 23 July 1932, 'Siam's Problems'.

made more money for a time. But Bills are now sold with one or two points margin, and there is keen competition. The statements made are singularly contrary to the real facts. The Treasury wants a profit of 4 per cent., and has it in its hands to control the banker's rates when they have to come to it for funds.²⁷

A.B. argued that the exchange rate had been maintained at a reasonable level, and he was supported in this by PRO PATRIA. 'Great Thinker' noted that:

exchange only affects the balance between the Imports and Exports, provided, of course, that exchange is at a level at which all the country's surplus production can be exported and so does not accumulate. In this connection, Mr. Editor, your favourite remark that 'after all it is exports that pay for imports' is not perhaps so much of an axiom as it seems. If it were, how do you account for the fact that some of the debtor countries are amongst the most prosperous? Has not England been a debtor country for many years?²⁸

Sympathetic comments were few indeed and Mangkorn's plan was not well supported. However one commentator in the *Bangkok Times Weekly Mail* showed some understanding of his intentions.

He deeper states that when he wrote 'foreign merchant', what he had in mind was the Chinese merchant chiefly; and further the word which this paper translated as 'tricky' only conveys in Siamese 'clever' or 'able in the matter of commercial dealing.' It seems extraordinary that when meaning Chinese as opposed to farang, Nai Mangkorn did not say so merely by using the word 'Chiin' instead of 'Chaaw Taangpratheed'; and as regards the other points, the Commentator is not in a position to judge.²⁹

The second part of this section concerns Mangkorn's economic ideas, as explained in a letter to the Prime Minister, Phahon Phonpayuphasena, on 29 June 1933. This letter can be seen in the Thai National Archives.³⁰

This letter expresses doubts about the People's Party manifesto, especially its third principle which stated that a national economic plan must be drawn up to ensure the economic well-being of the people, and that the new government must provide work for every citizen and not allow people to starve. It is clear that Mangkorn's attitude towards the People's Party

²⁷ *Bangkok Times Weekly Mail*, 21 July 1932, 'Trade in Siam'.

²⁸ *Bangkok Times Weekly Mail*, 22 July 1932, 'Some Comments'.

²⁹ *Bangkok Times Weekly Mail*, 26 July 1932, 'Give me leave'.

³⁰ S.R. 0201.8/18. N.A.

changed after he submitted his economic plan in 1932. The reasons for his doubts were that bureaucrats had no familiarity with, or expertise in, agriculture, industry, or commerce. Even though they possess some knowledge, it was based on foreign textbooks. Mangkorn stated that the geographical features of Thailand made it suitable for every kind of agriculture. There was a lack of bureaucrats willing to promote industry.

The Economic Council (Sapha Setthakit) was established by the Mano Government on 8 April 1933. The Council was composed of members, experts and advisers.³¹ According to a speech by the President of the Council, Phraya Komarakun Montri, on 16 August 1933, it would deal with all economic problems. The Council had a number of ex officio members, government executives who carried out their duties in accordance with the economic policy laid down by the Government, expert members to provide an opportunity for people outside the government service who possessed knowledge and experience and who took a keen interest in the development of the country, advisers and learned foreign officials to give the benefit of their advice to the Council.³² This Economic Council was a substitute for the Board of Commercial Development of the absolute regime. Mr. Bailey observed that:

the appointment of Advisers to the Council is no innovation. A precedent is to be found in the Board of Commercial Development of the Absolute Monarchy Regime, which seemed to have been functioning smoothly with good results throughout. As a matter of fact the Economic Council as newly re-organized is but a substitute for the Board of Commercial Development, which has now ceased to function by virtue of the Law on the Constitution of the Civil Service, though it has a wider scope of activities than the latter.³³

31 Bailey to FO No. 132, 11 August 1933, F6207/42/40, FO371/17175, PRO, gives details on the experts and advisers; Chao Phraya Yomaraj, Chao Phraya Bijayanati, Phraya Suriya Navatr, Mom Chao Sakol, Phraya Bhakdi Norasresth, Phraya Prida Narubesra, Dr. Joti Gumbandh, Mr. Raymond B. Stevens, (Adviser to the Minister of Foreign Affairs), Mr. James Baxter (Financial Adviser), Mr. Charles L'Eversque (member of the Committee of Legislative Redaction) and Dr. Hugh McCormick Smith (a fishery expert). S.R.0201.8/18.N.A. This document includes the full list of 25 members recommended by Mangkorn.

32 Ibid.

33 Bailey to FO No. 136, 18 August 1933, F6243/42/40, FO371/17175, PRO.

But Mangkorn criticized the Economic Council for being a political body rather than an economic one - it was dominated not by economic experts but by legal experts and bureaucrats. He insisted on the establishment of a Saphacatkan Setthakithaengchat (National Economic Council), which would include the Department of Commerce and Department of Agriculture. The National Economic Council would be in a position to deal with the cabinet, and would have a duty to present a national economic plan. It would be independent of the government. The most important and interesting of Mangkorn's ideas was that the council's members would consist of two groups, non-bureaucrats, including merchants, experts in agriculture, industry and finance, and bureaucrats.

Mangkorn recommended 25 people for the Saphacatkan Setthakithaengchat, 15 non-bureaucrats and 10 bureaucrats. Some members of the existing Economic Council were selected by Mangkorn for his proposed National Economic Council, for example, Chao Phraya Yommarat, once Minister of the Interior, Phraya Phakdi Norasaet (Nai Lert), of the bus company, and Dr. Chote Khumphan, an expert on economics and finance. Advisers, especially foreign advisers, were excluded. Many businessmen and experts were listed by Mangkorn, including Ma Lap Khun, who owned a rice mill and a bank, Nai Tii Khosiriwong, an expert in commerce and finance, and Lo Tek Chuan, a rice miller.³⁴

3.3. Pridi Phanomyong's Economic Plan

Pridi submitted a National Economic Plan to the government in March 1933.

³⁴ Ibid. There are major differences between the members of the Economic Council and Mangkorn's recommendations. For the Chinese merchants, see Akira Suehiro, *Capital Accumulation in Thailand 1855-1985*, Tokyo: Centre for East Asian Cultural Studies, 1989, pp.85, 110, 115-116, 120-122, 133-134, 156-157.

Pridi Phanomyong was one of the most influential Thais in the twentieth century. He played a major role in Thai politics as statesman, lawyer, educator and scholar. His political leadership in the constitutional revolution is particularly important. He was one of the promoters who gathered in Paris in 1927, aiming to end the absolute monarchy in Siam.³⁵

Pridi's economic plan has been considered by many scholars, and many books about him and his plan have been published.³⁶ It is important to note that the establishment of the People's Party in 1927 took place during Pridi's study in France, from 1920 to 1927. Wyatt describes overseas Siamese students as follows:

It was Siamese students abroad, however, who were most intensely involved in political discussions and dreams during the 1920s....The small numbers schooled in France, however, were much more ideological and radical. These included both law students and young military officers, who at meetings in Paris in the mid-1920s talked of socialism and popular democracy.³⁷

A student meeting held in Paris during 5-7 February 1927 elected Pridi as its

³⁵ Judith A. Stowe, *Siam becomes Thailand: A Story of Intrigue*, Honolulu: University of Hawaii Press, 1991, p.12. Seven people were present: Pridi, Pibul, Prayoon, Tasnai Niyomsuk, Naeb Phaholyothin, a student from Britain, Tua Lapanukrom, studying science in Switzerland and Luang Siri Rajmaitri, a diplomat based in Paris.

³⁶ See, for example, Thammasat University, *Pridi Phanomyong kap Sangkhom Thai* (Pridi Phanomyong and Thai Society), Bangkok: Thammasat University Press, 1983; Chatthip Nartsupha, *Prasopkan lae khwamhen bang prakan khong ratthaburutawuso Pridi Phanomyong*, Bangkok: Khrongkan "Pridi Phanomyong kap Sangkhom Thai", 1983; Saneh Chammarik (et al), *Pridi parithat: Pathakathachud Pridi Phanomyong anusorn*, Bangkok: Samnakphim Thianwan, 1983; Chalermkiat Phiunaun, *Botkhwam prakopkan sammana kung satawat Thammasat: 2477-2527 ruang khwamkhit thang kanmuang khong Pridi Phanomyong*, Bangkok: Thammasat University, 1984; Chanwit Kasetsiri and Phoemphol Phophoemhem (eds), *Pridi Phanomyong: Chiwit ngan lae Thammasat*, Bangkok: Thammasat University Press, 1986; Chatthip Nartsupha, *Khwamkit sahakon khong Pridi*, Bangkok: Samnakphim Aksonsarn, 1987; Thippawan Chiamthirasakun, *Pathommathat thang kanmuang khong Pridi Phanomyong*, Bangkok: Aksornsarn, 1988.

Pridi's life and work are the subject of several books: Vichitvong Na Pombhejara, *Pridi Banomyong and the making of Thailand's modern history*, Bangkok: Siriyod Printing, 1979; Suphot Dantrakun, *Chiwit lae ngan khong Dr. Pridi Phanomyong* Bangkok: Pracakkanphim, 1971; Duan Bunnag, *Than Pridi ratburut awuso: Phuwangphaen setthakit Thai khon raek* Bangkok: Samakkhitham, 1974; Saranya Bamrungphong, *Prawat thang kanmuang khong Dr. Pridi Phanomyong* (Translation from David Morell and Richard Donor, 'Pridi Banomyong: A Political Biography', 1983), Khana Kammakarn Catngan Ramluk Pridi Phanomyong.

³⁷ David Wyatt, *Thailand: A Short History*, London: Yale University Press, 1984, p.238.

provisional chairman and leader of the People's Party.³⁸ The aims of the party were known as the "Six Principles". They were to change Thailand from an absolute monarchy into a constitutional monarchy, with a view to acquiring absolute national independence, maintaining law and order, promoting economic well-being, guaranteeing equality for all, granting complete liberty and freedom and providing the people with education.³⁹ At the meeting Pridi was assigned the task of drafting policies and programmes, including the national economic development plan.

The main reason why Pridi submitted his economic plan can be seen in the third principle: 'A national economic plan must be drawn up to ensure the economic well-being of the people. The new government must provide work for every citizen, and will not allow people to starve.'⁴⁰ In this section, the contents of his economic plan and Pridi's economic ideas will be examined.

The educational background of Pridi, especially his studies in France, give a clue towards understanding his economic thought. In the interview of Pridi by Chatthip on 10 April 1982 in Paris, Pridi talked about his interest in economics.⁴¹

He obtained his first degree in law from Caen University in 1923. During his study at Caen, he took economics 1 for the first year, economics II for the second year, and public finance and labour law for the last year.⁴² The important thing is that the French education system changed after the Third Republic in 1870. Before 1870 private law and constitution were taught by

³⁸ See the detailed description of the founding of the People's Party in Vichitvong Na Pombhejara, *Pridi Banomyong and the making of Thailand's modern history*, Bangkok: Siritod Printing, 1979, pp.46-60.

³⁹ Ibid., p.54.

⁴⁰ Judith A. Stowe, *Siam becomes Thailand: A Story of Intrigue*, Honolulu: University of Hawaii Press, 1991, p.25

⁴¹ Chatthip Nartsupha, *Prasopkarn lae khwamhen bang prakarn khong awso Pridi Phanomyong*, Bangkok: Khrongkarn "Pridi Phanomyong kap Sangkhom Thai", 1983, pp.51-2.

⁴² Ibid., p.52.

the law department, as in the Anglo-Saxon countries. However, after 1870, economics was taught as the way to understand the basis of society. It is also important to note that when he passed the examination for PhD in law, he also passed the Diplome d' Etudes Superieures d' Economie Politique. This means that he studied economics, economic history, public finance and labour science.

Two economic textbooks which Pridi used at that time greatly influenced him. One was *Cours d' Economie* (Gide's Political Economy, the English version) by Professor Charles Gide; and the other was *Histoire des Doctrines Economiques* (A History of Economic Doctrines: From the Time of the Physiocrats to the Present Day) by Charles Gide and Charles Rist.⁴³ It is not clear whether Gide was Pridi's teacher or not, but Pridi was nonetheless strongly influenced by Charles Gide. This is shown as Pridi often used quotations from Gide in his books, and he made Dr. Serm translate half of Gide's book to distribute to the promoters.⁴⁴ Gide was considered as famous an economist as Saint-Simon, Fourier, Pecqueur, Proudhon and Louis Blanc in the field of French socialism. Pridi at first confessed that Siam should have a planned economy based on socialist theory, but he changed his opinion later.⁴⁵

As Pridi talked particularly about his views on Thai history and on Thai farmers in his interview with Chatthip, it seems worth examining that interview to understand the aims of his economic plan.⁴⁶ First of all, he compared the place of farmers in the social structure of European and Thai society. Even though he admitted that European society had become more advanced, he said that there was almost no difference in terms of class formation between

⁴³ Thippawan Chiemthirasagun, *Phatommathat thang Karnmuang khong Pridi Phanomyong*, Bangkok: Aksornsan, 1988, pp.279-280.

⁴⁴ Ibid., p.283.

⁴⁵ Chatthip Nartsupha, *Prasopkarn lae khwamhen bang prakarn khong awso Pridi Phanomyong*, Bangkok: Khronkarn "Pridi Phanomyong kap Sangkhom Thai", 1983, p.52.

⁴⁶ Ibid., pp.25-33.

European villages before the industrial revolution and Thai villages when Pridi was a child. According to his view, Europe and Siam had had the same historical development, that is, from primitive society (community), through slavery, and the Sakdina system (Feudalism) to capitalism. However, he pointed out that the transformation from slavery to the Sakdina system had occurred earlier in Europe, and that slavery and the Sakdina system had coexisted until 1906 in Siam.⁴⁷

His views on the exploitation of Thai farmers reveals his deep understanding of their hardship. From an historical point of view, Siam had much uncultivated land, and it was easy for any farmer who wanted to cultivate land to apply for the authority to do so.⁴⁸ This means that the likelihood of a tenant was not great at that time. The more important point was that the people (Phrai) were forced to pay Suai (tax) and land tax to the king, the owner of the land.⁴⁹ Thai farmers were exploited not only by landlords but also by rice mill capitalists (including rice traders). Pridi classified Thai into six groups: the working classes, farmers, small capitalists, medium capitalists, the bourgeois (modern capitalist class) and the Sakdina class.⁵⁰ In Siam, he maintains that the working classes and the farmers were exploited by small capitalists.

Pridi makes four points about the exploitation of the farmers.⁵¹ First, it should be borne in mind that in Siam the number of owner farmers was bigger than that of tenant farmers. Exploitation of the farmers was by the rice trader and rice-mill owner rather than by the landlord. Second, rent should reflect land fertility and no other consideration. This would mean that a higher rent was paid for more fertile land. Third, the landlords confiscated the

47 Ibid., p.27.

48 Ibid., p.28.

49 Ibid., p.30.

50 Ibid., p.30.

51 Ibid., pp.32-3.

farmers' properties when farmers suffered natural disasters such as drought, flood and crop disease. Lastly, the landowner should be considered a capitalist in his economic behaviour.

(1) The National Economic Plan

In this section, Pridi's economic plan will be examined in detail. When he presented his economic plan, a socialist call for the partial nationalization of land and labour with utopian elements, to a cabinet meeting on 28 March 1933, it was rejected as communist. The aim and content of his plan will be considered not only from the point of view of his economic ideas but also as part of his political thought.

His economic plan was inspired by one point in the six-point platform of the People's Party: the statement that 'a national economic policy must be drawn up to guarantee remunerative work to everyone.' The draft of this economic plan was originally prepared by Mangkorn Samsen, a local-born Chinese 'industrialist', and was upgraded to an economic programme by Pridi.⁵² When Pridi presented the king with a copy of his draft economic plan at the end of February 1933, he explained that its aim was not only to improve agricultural production and the living standards of farmers but also to increase Siamese control over the economy, by eliminating the role of the foreign entrepreneur.

His economic plan consisted of twelve sections, as follows.⁵³

⁵² Duan Bunnag, *Than Pridi ratburut awuso: phuwangphen setthakit Thai khon raek*, Bangkok: Samakkhitham, 1974, p.48. See the description of Mangkorn Samsen in Akira Suehiro, *Capital Accumulation in Thailand 1855-1985*, Tokyo: Centre for East Asian Cultural Studies, 1989, p.360.

⁵³ See the full translation of Pridi's economic plan in Kenneth P. Landon, *Siam in Transition: A Brief Survey of Cultural Trends in the Five Years since the Revolution of 1932*, Connecticut: Greenwood Press, 1968, pp.260-293 (Appendix III); Pierre Fistié, *Sous-développement et utopie au Siam: le programme des réformes présenté en 1933 par Pridi Phanomyong*, Paris: Mouton & Co, 1969; or Suphot Dantrakun, *Khaokrong kansetthakit khong Luang Pradit Manutharm* (Economic Plan of Luang Pradit Manutham), Bangkok: Pracakkanphim, 1974.

National Economic Policy of Luang Pradist Manudharm

- Preamble points to be kept in mind during the reading of this policy.
- Part I The original proclamation of the People's Party
- Part II Instability of the present economic system
- Part III Social insurance
- Part IV Labour waste and social parasites
- Part V Method by which the government secures land, labour and capital
- Part VI Balancing the government's budget
- Part VII The establishment of co-operative societies
- Part VIII What lines of economic endeavour shall the government undertake?
- Part IX The solution of the capital and labour question
- Part X National economic plan
- Part XI Successful realization of the six-point platform

The main points in these twelve sections will be summarized here. In the preamble, it was stressed that a division of the economic system into co-operative associations under the government's national economic policy was the only way to achieve the advancement of the people. In Part I the new government promised to promote the economic welfare of its citizens by providing remunerative employment for everyone, and by promulgating a national economic policy designed to end poverty. Pridi's main purpose was to promote the welfare of the Siamese people. In Part II the poverty of the people was explained as a lack of necessities, such as food, clothing and shelter. He emphasized that the rich, middle class and poor may face the same uncertainties in the future - that is, old age, disease and the misfortune of losing their wealth.

The reason why social insurance was necessary was explained in Part III. First of all, private companies cannot undertake this function, therefore the government must guarantee the security of every citizen. The Social Security Act would have the government distribute money to all the people, so that they might exchange it for necessities such as food, clothing and shelter. The plan to issue monthly wages to all of the people was based on the Siamese characteristic that they liked to be government employees. It is an important point that Pridi maintained that the government should not expropriate property from the wealthy in order to finance this. To establish social security by paying salaries to all citizens, Pridi suggests establishing co-operative societies which would have the functions of producing and distributing the necessities of life. The reason behind this idea was that the people lack land and capital, and could provide only labour.

Part IV, labour waste and parasites, was illustrated by a number of examples. First, farmers, on average, worked for not more than six months out of the year, (ploughing, sowing, harvesting). That is the main reason why the government should draw up a national economic plan, to make use of the six months left free and unproductive. The merit of a co-operative to farmers was illustrated by the case of raising a cow - the co-operative method of taking care of a cow saves labour. With respect to the use of machinery, Pridi admits a fundamental economic principle, that is, machinery multiplies the efficiency of labour. According to his description: 'Siamese are slight in body, not as strong as Chinese and foreigners. If we depend upon manpower in our various enterprises we can never compete with Chinese and foreigners. If we use machinery we can compete successfully.'⁵⁴ Even though machinery has the disadvantage of displacing labour, the use of machinery was recommended, under the control of the government. This means that the

⁵⁴ Kenneth P. Landon, *Siam in Transition: A Brief Survey of Cultural Trends in the Five Years since the Revolution*, Connecticut: Greenwood Press, 1968, p.268.

government would create more job opportunities for people displaced by the use of machinery. In addition, working time could be reduced gradually, without reducing salaries. The capital to purchase machinery would be amassed by the government through the collection of indirect taxes.

In Part V methods by which the government secures land, labour and capital were analysed. Under the current system, cultivation was controlled by individuals and cultivated land had high running expenses, taxes and interest, so that landowners received inadequate returns. On the other hand, 99 percent of farmers were in debt, and were unable to pay full rents. This vicious circle would be solved by the government purchasing land. Where would the government get the money to buy the land? According to Pridi:

At present the government does not have in its possession sufficient reserve funds to purchase the land, but the government could issue bonds to the landowners to the amount of the value of their land. The interest on the bonds would be determined by the government, in accordance with the rates of interest prevailing on the day of purchase, not to exceed the maximum legal rate of fifteen percent.⁵⁵

The type of land which the government would purchase was productive fields and gardens, not residential areas. The advantage to the government of purchasing land would be to encourage a better co-ordinated, cheaper system, for ploughing, cultivating and irrigation.

There was also the argument that the transfer of ownership from individuals to the government would extinguish the farmers' feel for the land. Pridi suggested that it was widely thought that a close relationship existed between ownership of land and nationalism, but he maintained that the ownership of land was not affected by nationalism or love of race.

With respect to employment, all persons between the ages of eighteen and fifty-five were to be employed by the government, according to their education, strength and abilities. People under eighteen would be expected to attend school or engage in light work. Persons aged over fifty-five would

⁵⁵ Ibid., p.271.

be eligible for pensions for the rest of their lives. The important point here was that exceptional citizens, who could support themselves, did not need to enter government employment. For example, independent professions, such as authors, doctors, lawyers and special teachers, would be allowed to practice their professions. In addition, private ownership of existing factories would be allowed to continue if the owners did not want to enter government service. Thus the freedom of choosing one's occupation and private ownership of property were guaranteed under the economic plan.

According to the plan, the government would need two kinds of capital to administer the economic system:

1. capital to be invested in machinery and manufactured products, which the government cannot as yet produce;
2. capital for the payment of wages.⁵⁶

How does the government secure these two forms of capital? There are four main ways. First, by the collection of taxes, such as inheritance tax, income tax and indirect taxes. Among these, indirect taxes play an important role, because the small sums paid by each citizen amount in total to a great deal. Second, the establishment of lotteries is planned. Third, internal loans would be secured by co-operating with the wealthy classes. An alternative was to rely on foreign loans, but these should be used only for the purchase of machinery and other manufactured products which could not be produced in Siam. Lastly, the purchase of foreign machinery on an instalment basis might be used if the government could not find or afford foreign loans.

In Part VI, balancing the government's budget was explained. Pridi explained that:

the government will have to provide these necessities in abundance, in order that the people in turn may purchase them. If month by month and year by year the people save their money, they save it in order to spend it in the future on things which they still must buy from

⁵⁶ Ibid., p.277.

the government. So the balance of the financial system of the country is assured.⁵⁷

Pridi agreed with Professor Charles Gide, that is to say that a people have advanced is merely to say that their wants have multiplied.⁵⁸

In order to purchase machinery and other manufactured products which Siam cannot produce, the government should make an effort to increase surplus production of rice and teak for export, to earn foreign exchange. Therefore unnecessary imports should fall to a minimum: only necessities, such as machinery, that cannot be produced in Siam, should be imported.

There was also the criticism that the people would be reduced to the level of animals - women would become common property, family life would be destroyed and interest in progress would cease when the government controls the whole economic system.⁵⁹ However, Pridi maintained that the advantage of becoming government employees would be that all would obtain the same privileges and prerequisites which government officials now enjoyed - salaries in exchange for their labour, and pensions for their old age.

In Part VII the reason for the establishment of co-operative societies was explained. As the central government cannot oversee every project in detail, it was necessary to divide the administration of the economic system into co-operative societies. Each co-operative society would consist of members who would receive a monthly wage in return for their labour. If an individual was in a difficult situation, such as being old, ill, or physically disabled, they would be entitled to a pension. Co-operative societies, such as agricultural societies or industrial associations, would be allowed to make profits, and these profits would be distributed to members as bonuses. The

⁵⁷ Ibid., p.279.

⁵⁸ Thipphawan Chiemthirasagun, *Phatommathat thang karnmuang khong Pridi Phanomyong*, Bangkok: Aksornsan, 1988, p.280.

⁵⁹ Kenneth P. Landon, *Siam in Transition: A Brief Survey of Cultural Trends in the Five Years since the Revolution*, Connecticut: Greenwood Press, 1968, p.280.

members of the co-operative would have the following obligations and the government the following duties:⁶⁰

1. the government will supply land and capital. The members of the society will supply the labour and assume responsibility for production;
2. the members of the societies are to assume responsibility for the sale and distribution of the products which they produce, under the guidance and direction of the central government;
3. the societies are to assume responsibility for producing food and drink for their members. That is, the society will undertake to sell food, drink, wearing apparel, and other necessities to its members, but will not be responsible for preparing such food as is sold. Its responsibility will cease with the distribution of uncooked food to its members, such as rice, raw meat, which the members will be expected to prepare for themselves, according to their own taste. But if the members so desire, a society may arrange to prepare all food which is to be sold to its members;
4. the societies will be responsible for the erection of homes for their members, under the supervision of the government. Each member-family will have its own home, built according to the society's plans, and designed to safeguard health, to provide adequate protection from danger, and to make for ease in administration.

In Part VIII, the government's economic endeavours were noted. In order to achieve economic independence, the government should protect the country against trade restrictions. Even though Adam Smith's theory of the international division of labour is valuable, in practice it is doubtful whether it should be adopted by Siam. This was because of Siam's economic backwardness. As Siam was not a developed country, Pridi supported the views of the nineteenth century German economist, Friedrich List, who taught that Germany must make itself self-sufficient. Pridi believed that control of the economic system by the government would bring about economic development.

In Part IX, the solution to the capital and labour question was examined. The important point here was that private ownership created discord, such as lockouts, strikes and arguments between employer and employees. These conflicts would be settled not by private companies but by the government's control of the entire economic system. There was also a

⁶⁰ Ibid., p.282.

difference in the treatment of profits. When the government controlled the economic system, profits would be shared equally between labour and other government employees. In contrast, under the private sector, capitalists were inclined to keep the profits. Pridi states:

A further point in favour of government administration of the entire economic system is that the government is assured of profits by the fact that it can utilize what are now only latent abilities for work; can conserve the expenditure of labour; and can multiply its efficiency by employing proper machinery.⁶¹

In Part X, the national economic plan was presented. According to the plan, there were three stages in the preparation of careful estimates:

1. it will be necessary to investigate carefully and prepare estimates of the necessities of life required by the average citizen of a civilized nation in order to assure him a happy and prosperous existence;
2. when these various estimates and investigations have been completed, further estimates will be necessary to determine how much land, labour and capital will be necessary to produce them;
3. when all these estimates have been prepared, it will be necessary to make further calculations of the land, labour and capital available to the government, either potentially or actually, as a basis for the proposed economic system.⁶²

In Part XI, the successful realization of the six-point platform was explained. First of all, independence in the courts, independence in the field of economics, and independence in politics, was emphasized. The inauguration of the national economic plan was expected to bring about a stable internal order, economic welfare, equality for all the people, personal liberty, and good opportunities for education. Pridi concluded modestly that his plan would lead the Siamese into a golden age.

(2) Economic Thought of Pridi

In this section, two main points will be examined. Pridi's economic thought - even though the development of Pridi's economic thought during his period

⁶¹ Ibid., p.285.

⁶² Ibid., pp.285-7.

of study in France was discussed earlier, detailed analysis is necessary to understand his economic plan. Second, the plan itself will be assessed.

His plan was based on various economic systems. Pridi said that he would like to adopt economic principles which suited Siamese conditions, and that he might not stick to one specific principle.⁶³ At a meeting on the national economic plan on 12 March 1933, Pridi maintained that his economic plan was not based on communist principles, and that it had elements of both capitalism and socialism.⁶⁴ Furthermore, he said that his economic plan consisted of capitalism, socialism, solidarism, and liberalism.⁶⁵ As the development of his economic thought was examined earlier, it remains to consider the political and economic thought current in France when he studied there from 1920 to 1927.

It was noted that Pridi was influenced by two French economists, Charles Gide and Charles Rist. Dr. Serm Winichaiyagun suggests that Pridi's economic plan was influenced by his study of these scholars during his years in Paris.⁶⁶ As Thippawan has produced an incisive study of Pridi's economic thought in his national plan, it would be useful to introduce his main points. According to Thippawan, Pridi's economic plan was guided by four principles: socialism, solidarism, humanitarianism and nationalism.⁶⁷

According to Gide, there are three types of socialism; associationism, collectivism and co-operatism.⁶⁸ Gide describes socialism thus:

all the Socialist schools see the essential cause of social disorder in the concentration of wealth in the hands of a small number of parasites, who thus have the power to exploit the masses and to make the many work for the profit of the few: *paucis humanum genus vivit*. They therefore look for a new order of things, in which the private ownership of capital and its obverse side, the wage system, will be, if not altogether abolished, at least more and more

⁶³ Thippawan Chiamthirasakun, *Phatommathat thang karnmuang khong Pridi Phanomyong*, Bangkok: Aksornsan, 1988, p.271.

⁶⁴ Ibid., p.289.

⁶⁵ Ibid., p.289.

⁶⁶ Ibid., pp.282-3.

⁶⁷ Ibid., p.290.

⁶⁸ Ibid., p.291.

limited.⁶⁹

In the first half of the nineteenth century, socialism was popular in France, with prominent thinkers such as Saint-Simon (1760-1825), Fourier (1772-1837), Proudhon (1809-1865) and Louis Blanc (1811-1882).

What is associationism? Gide defines it as the various forms of free association that will produce an adequate solution to social questions, without need to resort to revolution, or to the abolition of property, interest, or the inequality of wealth.⁷⁰ While it might be said that associationism was an abandoned model, elements of it emerged in 'co-operative socialist' and 'concern for solidarity'. Robert Owen, Charles Fourier and Louis Blanc were associate socialists.⁷¹ The important point here is that the associate socialists differ from the Saint-Simonians, who sought solutions in socialisation rather than in association. Let us examine the influence of these associate socialists on Pridi.

Pridi was influenced by Charles Fourier in the establishment of the commune. The commune was called 'Phalanstere' in French, and its size was about fifteen hundred people. The important point here is that the commune was to be self-sufficient, by establishing co-operatives for production and consumption. Charles Fourier pointed out that a co-operative should be established by members and their capital at their own will. However, Pridi stressed the need for government initiative and finance in establishing co-operatives. Another difference between them is that Fourier did not support the ideas of mass production and centralization.

Robert Owen's influence on Pridi was in the use of labour notes

⁶⁹ Charles Gide, *Political Economy*, (authorized translation from the 3d ed. (1913) of the *Cours d'économie politique* under direction of William Sharp by Constance A.M. Archibald), London: George G. Harrap & Company, 1924, p.23.

⁷⁰ Ibid., p.480.

⁷¹ Charles Gide and Charles Rist, *A History of Economic Doctrines: From the Time of the Physiocrats to the Present Day*, (authorized translation from the second revised and augmented French edition of 1913 by R. Richards), London: George G. Harrap & Company, 1948. See the detailed description of three associate scholars, Owen, Fourier and Blanc, pp.246-265.

instead of money. According to Owen, money is evil, and labour notes based on the amount of labour hours required in production would be issued, to be exchanged for necessities. This system was called 'the National Equitable Labour Exchange'.⁷² The only substantial difference between Pridi and Owen with respect to labour notes was that Pridi supported government initiative, while Owen was against government intervention.

Louis Blanc thought that poverty was caused by competition. His point was that a new society should be created by association. For example, he suggested establishing a social workshop or national workshop, which simply means a co-operative producer society. The important point here is that Blanc noted that it was necessary for workshops to borrow capital from the government or for the government to undertake the initial organization. In addition, interest would be paid on the capital accumulated in establishing the industry. These ideas were fully illustrated in Pridi's economic plan. Furthermore, the net income of the social workshop would be divided into three, as follows. First, to members of the association who were engaged in production. Second, to the old, the disabled and the sick and third to those supplying machinery for production. Pridi's economic plan was quite similar in that aspect. Pridi admitted that workers or officers could receive a reward in addition to their basic income. He calls this reward 'sharing', or giving a part of the profit to the workers.⁷³

The second form of socialism is collectivism. It is said that collectivism developed from associationism. According to Gide,

Collectivism is a milder form of Communism. It proposed to hold in common the instruments of production only - land, mines, factories, banks, railways, raw material - and to leave consumption goods under the régime of private property, save that they are to be better

⁷² Ibid., p.251. A experiment in the elimination of money was attempted in London with the establishment of the National Equitable Labour Exchange.

⁷³ Thippawan Chiemthirasagun, *Phatommathat thang karnmuang khong Pridi Phanomyong*, Bangkok: Aksornsan, 1988, p.302.

distributed.⁷⁴

Collectivism can be said to be a mixture of associationism and communism. It is important to note that the Saint-Simonians developed the theory of collectivism. Gide states that: 'We must, in fact, distinguish between two currents in Saint-Simonism. The one represents the doctrine preached by Saint-Simon himself, the other is that of his disciples, the Saint-Simonians.'⁷⁵ Saint Simon's doctrine is called 'industrialism'. The disciples' doctrine, on the other hand, is described as 'collectivism'. As Pridi was very much influenced by the idea of collectivism, he supported the transfer of the instruments of production from the private sector to the government. For example, he maintained that the government should buy land.⁷⁶ However, it is important to note that Pridi accepted the existence of the liberal professions, such as writer, doctor, lawyer and teacher. To put it another way, it was not necessary for these to be civil servants. In addition, some private commercial business and agriculture would be allowed, on condition that they could support themselves. In this sense, Pridi shows a flexible attitude towards the private sector. When he was interviewed later, he said that his idea was not utopian, communist, but scientific socialist.⁷⁷

The last form of socialism is co-operatism. Charles Gide defines co-operatism as follows.⁷⁸

(1) all co-operative associations aim at the economic emancipation of certain classes of

⁷⁴ Charles Gide, *Political Economy*, (authorized translation from the 3d ed. (1913) of the *Cours d' économie politique* under direction of William Sharp by Constance A.M. Archibald), London: George G. Harrap & Company, 1924, pp.483-4.

⁷⁵ Charles Gide and Charles Rist, *A History of Economic Doctrines: From the Time of the Physiocrats to the Present Day*, (authorized translation from the second revised and augmented French edition of 1913 by R. Richards), London: George G. Harrap & Company, 1948, p.214.

⁷⁶ Thippawan Chiamthirasakun, *Phatommathat thang karnmuang khong Pridi Phanomyong*, Bangkok: Aksornsan, 1988, p.307. Pridi advocated that the government should buy only farming land, not residential.

⁷⁷ Ibid., p.310.

⁷⁸ Charles Gide, *Political Economy*, (authorized translation from the 3d ed. (1913) of the *Cours d' économie politique* under direction of William Sharp by Constance A.M. Archibald), London: George G. Harrap & Company, 1924, pp.493-5.

persons, so that they may dispense with intermediaries and be self-sufficient. Producers' societies allow the worker to do without the employer by producing themselves on their own account, selling directly to the public, and keeping the whole product of their labour for themselves;

(2) all aim at substituting solidarity for competition, and the co-operative motto, 'Each for all', replaces the individualist motto, 'Each for himself'. Individuals no longer compete, in principle at least, but associate together to provide for their wants; and these associations in turn make it a rule to combine in order to form larger organizations;

(3) all aim, not at abolishing private property, but spreading it by making it accessible to everyone in the form of small shares; while, at the same time, they aim at creating alongside, and above, a collective property in the form of impersonal funds, to be used for the development of society and for work of social utility;

(4) all aim, not at doing away with capital, but at depriving it of its preponderant role in the management of production, as also of the tribute which it levies for this in the form of profit;

(5) all co-operative associations, then, possess a considerable educational value.

Charles Gide explained that co-operativism had developed from associationist socialism.⁷⁹ The aim of a co-operative is for its members to help each other instead of competing against each other. It is important to note that many societies consider the making of profit as evil. Therefore, societies which are allowed to make profits should divide these profits among their members in proportion to their labour when they are employees, but never in proportion to the capital which they contributed.

How did Pridi develop the idea of the co-operative? He answered this question in his interview with Chatthip. Pridi pointed out that he came across two types of co-operative, the capitalist and the socialist, during his years of study in France.⁸⁰ He also noted the difference between the role of the co-operative in the period of the absolute monarchy and in the period of the constitutional monarchy. He said that the role of the co-operative before 1932 was limited to the provision of credit, but now this role would cover every aspect of the economy, including production.⁸¹ He explained the relationship

⁷⁹ Ibid., p.492.

⁸⁰ Chatthip Nartsupha, *Prasopkan lae khwamhen bang prakan khong ratthaburut awso Pridi Phanomyong*, Bangkok: Khongkan "Pridi Phanomyong kap Sangkhom Thai", 1983, p.69.

⁸¹ Ibid., p.66.

between the co-operative and government in the economic plan in terms of the upper part and the lower part of the plan.⁸² If the upper part is conducted by theory alone, it might remain in the realm of theory. Therefore, the upper part should connect with the lower part (the practice). In his economic plan, the co-operative had four functions - production, circulation, consumption and construction.

Before moving to solidarism, two more points are important; the role of the private sector and Saint - Simon's influence on Pridi. Pridi did not support laissez-faire. Pridi gave an example of the problems inherent to land and labour in agriculture under private sector control. Under these conditions, land and labour would not be used productively because the private sector cannot control the whole economic system. That is the reason why Pridi advocated that the government take the initiative and control the economic system, rather than leave it to the private sector. It would do so by controlling land, labour and capital.

Pridi was influenced by Saint - Simon on industrialism. Saint - Simon argued that an industrial - based economy would bring about economic development. In the national economic plan, the promotion of manufacturing industry was stressed for national economic development.

Solidarism is one of the most important principles in Pridi's economic plan. The principle of solidarism is simply that, as human beings depend on each other, everybody should help each other. How can the government help people? Pridi answers that the government can produce social insurance to protect the people. For example, the people are expected to receive food, clothing and a place to live from their birth to death, including children, the sick, the disabled and the old.⁸³ According to his economic plan, these people are in a position to receive a monthly salary from the government. In

⁸² Ibid., p.67.

⁸³ Thippawan Chiamthirasakun, *Phatommathat thang karnmuang khong Pridi Phanomyong*, Bangkok: Aksornsan, 1988, pp.321-2.

addition, people such as pregnant women, the sick, the disabled, students and retired officers on a pension are not obliged to work. How could the government obtain the financial resources to introduce social insurance? Under the principle of solidarity, the government was expected to act as an agent of social equality, by promulgating laws and levying taxes, especially progressive taxes.⁸⁴ Another important aspect of solidarity is respect for private ownership and individual freedom. This means that solidarism does not support the confiscation of private property. According to Gide, solidarism had developed from association socialism, and it does not accept collectivism or state socialism, because of their different views on the role of private ownership.⁸⁵ It can be said that Pridi aimed not for radical but for moderate reform. In fact, Pridi asks the rich for cooperation in finance. He emphasized that he did not agree with the confiscation of private property, because the government should look for revenue through the collection of taxes, such as an inheritance tax, income tax, or indirect taxes.⁸⁶

Humanitarianism is also an important principle in Pridi's economic plan. The description of uncertainty in his economic plan indicates that he was influenced by Buddhism, where helping each other is considered good.⁸⁷ Pridi said that his own parents had been faithful Buddhists.⁸⁸ It might be said that the idea of 'helping each other' originates from Buddhism rather than solidarism. In the conclusion to his economic plan, he stated that if it was adopted, it would be the dawn of the age of Sri Ariya Mettraya, the next, ideal, and final world age as conceived by Theravada Buddhists in South East

84 Ibid., p.324.

85 Charles Gide and Charles Rist, *A History of Economic Doctrines: From the Time of the Physiocrats to the Present Day*, authorized translation from the second revised and augmented French edition of 1913 by R. Richards, London: George G. Harrap & Company, 1948, p.559.

86 Thippawan Chiamthirasakun, *Phatommathat thang kanmuang khong Pridi Phanomyong*, Bangkok: Aksornsan, 1988, p.327.

87 Ibid., p.331.

88 Ibid., p.331.

Asia.⁸⁹ The Manifesto of the Kana Ratsadorn ended by stating: 'What everyone most desires, the greatest prosperity and happiness called Sri Ariya, will be realised by all the people.'⁹⁰ Buddhist terms were thus used in his plan.

The last important principle in the economic plan was nationalism. Pridi emphasized that Siam should develop to the level of a 'civilized' country. It was noted above that Pridi was influenced by Friedrich List on nationalism. List's main point was to encourage agriculture, handicrafts, industry and commerce to be self-sufficient. In order to do this, List suggested levying a high import tax to protect domestic industry. It is clear that List denied the theory of the international division of labour. Pridi argued that the development of both agriculture and manufacturing industry was essential for Siamese economic development. It is important to note that Pridi and the People's Party were afraid of an economic invasion from foreign countries.⁹¹ Pridi was also impressed by the French indirect taxation system. On agricultural policy, Pridi was much influenced by Gide, who maintained that intensive cultivation and the use of machinery were essential for agricultural development.⁹²

It is useful to examine the arguments against Pridi's economic plan from the conservatives. They had two main objections to his plan.⁹³ First, that it represented a form of Bolshevism, and that there was a danger of Siam becoming contaminated in this way. Second, his economic plan would

⁸⁹ Kenneth P. Landon, *Siam in Transition: A Brief Survey of Cultural Trends in the Five Years since the Revolution*, Connecticut: Greenwood Press, 1968, pp.292-3.

⁹⁰ Judith A. Stowe, *Siam becomes Thailand: A Story of Intrigue*, Honolulu: University of Hawaii Press, 1991, p.37.

⁹¹ Thippawan Chiamthirasagun, *Phatommatham thang karnmuang khong Pridi Phanomyong*, Bangkok: Aksornsarn, 1988, p.338.

⁹² *Ibid.*, pp.343-4.

⁹³ Chalermkiat Phiunaun, *Botkwam prakopkan sammana kung satawat Thammasat: 2477-2527 ruang khwamkhit thang kanmuang khong Pridi Phanomyong*, Bangkok: Thammasat University, 1984, p.231.

destroy the freedom of the people. The counter-arguments are as follows.⁹⁴ First, the constitutional revolution in 1932 was quite different from the Russian revolution, which had put an end to the Tsars. The political system in Siam changed from an absolute monarchy to a constitutional monarchy. Second, his economic plan did not support confiscation of the property of the rich, and it permitted the operation of private business. Lastly, his plan was based on the idea of solidarism, meaning that the government should take on the role of providing social security from poverty or economic recession.

There were other criticisms of his economic plan.⁹⁵ The first was that there was insufficient data for its implementation. The second was that it demanded the services of many experts, while there was a serious shortage of experts. The last was that his economic plan aimed to mobilize and involve all the people, but in fact not all the people participated in the 1932 constitutional revolution. The counter-argument to the first point is that his economic plan was not a real plan, because it was based solely on ideas. Second, Pridi acknowledged the shortage of experts and recommended hiring foreign experts for the first stage.⁹⁶ Pridi was also aware of the third criticism, and he therefore intended to set his economic plan before all the people.⁹⁷

Pricha made three principal comments on Pridi's economic plan. First, Pridi sees Siamese society as being in historical decline. He considered the year 1932 as the worst year economically, and he therefore proposed the establishment of a new economic system.⁹⁸ Second, his economic plan can be considered an important event in the development of Thai political

94 Ibid., pp.231-3.

95 Ibid., pp.233-4.

96 Ibid., p.234.

97 Ibid., p.234.

98 Pricha Piamphongsan, 'Pridi Phanomyong kap naeoukhwamkhit thang setthakit', Saneh Chammarik (et al), *Pridi parithat: Pathakathachud Pridi Phanomyong anuson*, Bangkok: Samnakphim Thianwan, 1983, p.175.

economy.⁹⁹ Lastly, his idea of a national economic plan has contemporary significance because of the lack of a social ideal today.¹⁰⁰ The ideas in his economic plan were partially realized in the government policies that attempted to overcome poverty in the rural areas.¹⁰¹

3.4. Phra Sarasas' Economic Plan

The economic plan of Phra Sarasas can be found in the Thai National Archives.¹⁰² It is a single document of 12 pages, with a diagram. Phra Sarasas completed his economic plan on 14 July 1934, and submitted it to the government in October.¹⁰³ There are two documents concerning his plan in the Public Record Office. The first is 'Economic policy of Siamese Government', which includes an inaccurate translation of the plan: but it also provides useful information on the response of the British Foreign Office to the plan.¹⁰⁴ The second is a draft scheme by Phra Sarasas for the exploitation of the mineral wealth of Siam.¹⁰⁵ This scheme was not part of the original economic plan held in the National Archives. This document is important for showing Phra Sarasas' views on foreign capital participation. There are also several articles about his economic plan in the *Bangkok Times Weekly Mail*.¹⁰⁶ Among them, an article dated 10 July 1934, 'The State Councillor Talks on his subject', includes an accurate English

99 Ibid., p.178.

100 Ibid., p.179.

101 Ibid., p.107.

102 S.R.0201.22/9. N.A.

103 Benjamin A. Batson, 'Phra Sarasas: Rebel with Many Causes', *Journal of Southeast Asian Studies* 27, 1 (March 1996) gave the month his proposal was submitted to the government in footnote 24 on p.155.

104 Coultas to FO No. 120, 25 May 1934, F4099/123/40, FO371/18208, PRO.

105 Coultas to FO No.164, 31 July 1934, F5433/123/40, FO371/18208, PRO.

106 *Bangkok Times Weekly Mail*, 21 June, 4 July, 10 July, 12 July, 20 September 1934. The article of 20 September dealt with Phra Sarasas's resignation.

translation of his economic plan.

This section consists of three parts: Phra Sarasas' economic plan, his life and economic views and thirdly his political and historical ideas.

There are several reasons why Phra Sarasas wrote his plan. First, his position as Minister of Economic Affairs in 1934 forced him to present an economic plan. The plan represents the economic ideas of the political group considered to have had close links to Pridi. He clearly felt an urgent need to improve the Siamese economy. According to the Foreign Office document, he wrote:

It is necessary, if the work of every Ministry is to run smoothly and without hitch, that State Councillors hold responsibilities severally and jointly. The present economic condition of Siam is one which inspires terror. Should the position not improve during this year, it is to be feared that this Government will not last. Government, then, has only one year in which to prove its worth, and the proof lies in economic recovery.¹⁰⁷

Phra Sarasas surveyed economic conditions in the south of the kingdom before drawing up his economic plan. The *Bangkok Times Weekly Mail* reported that:

There are two parties at work on the economic survey. One party is led by Mr. James M. Andrews, carrying on the work formerly undertaken by Professor Zimmerman, and surveying the north, while the State Councillor for Economics himself, accompanied by some experts, has been surveying the south.¹⁰⁸

Second, economic issues were Phra Sarasas' life-long theme. His journalistic activity in advocating economic nationalism, under the pen-name '555', was well known, and in addition he had expressed his economic ideas in several books.¹⁰⁹

His economic plan expressed not only practical economic policies but also his ideas and dreams. His plan stressed the importance of rural

¹⁰⁷ Coultas to FO No. 120, 25 May 1934, F4099/123/40, FO371/18208, PRO.

¹⁰⁸ *Bangkok Times Weekly Mail*, 'Economic Development. A Demonstration Needed', 21 June 1934, p.11. Andrew's survey was published as James M. Andrews, *Siam: 2nd Rural Economic Survey 1934-1935*, Bangkok: Bangkok Times Press, 1935.

¹⁰⁹ Phra Sarasas, *Setthasat waduai setthakitkankha*, Sophonphiphatthanakon, 1937, and Phra Sarasas, *Setthasat waduai setthakitkanngoen*, 1938.

development. He noted:

From the diagram it is easy to see that I start with the provinces and take rural economics as the heart of the scheme rather than capital. The greater portion of the population lives in the provinces, and they are the people in great difficulties, to whom aid should first be given. For that reason the writer has made them the centre of the scheme, and when their position has improved there is no question but that the capital will quickly follow.¹¹⁰

He proposed to start by setting up a network of co-operatives in the countryside. Cooperation with local government was expected to play an important role in expanding the networks of district co-operatives. In his plan, 'O' represented the Changwat co-operative societies, which had a store, a warehouse and a branch bank, both general and savings (see Chart 3-1). They would also provide education, instruction in the use of tools and the necessities of life, and information on experimental and model farms.

Before explaining the functions of the co-operatives, it is necessary to discuss their capital resources and the way in which they would compete with Chinese shops. In order to set up Changwat co-operatives, three sources of capital would be utilised; local government would provide 50%, and Siamese and foreign nationals, 25 % each. If local government was short of money, loans would be available from banks or from savings banks, under the guarantee of the central government. The existence of Chinese shops in the countryside was considered an obstacle to the expansion of the co-operatives. Phra Sarasas argued that the help of the government was vital if the co-operatives were to deal with the Chinese shops, although it was not intended to eliminate them. Cooperation was possible - Chinese shops would buy products cheaply from the co-operatives, while Changwat co-operatives would buy from the Chinese shops. The advantage of the Chinese shops, that they could sell on credit, would be matched by the capital resources of the Changwat co-operatives. Buying easily and selling

¹¹⁰ Coultas to FO No. 120, 25 May 1934, F4099/123/40, FO371/18208, PRO.

smoothly would reduce credit sales.

The three functions of the co-operative were buyer, seller and banker. As buyers, they purchased agricultural products from the people, and stored them for re-sale to other Changwat co-operatives or to the commercial exchange. The commercial exchange will be explained later. As sellers, they provided the people with the necessities of life, tools, clothes and food, at reasonable prices. They would buy products from the wholesale society, which would supply products from both domestic and foreign sources. The wholesale society could buy products cheaply and in large quantities because there was no middleman. In addition, the wholesale society distributed products to the Changwat co-operatives on credit or for cash. This made it possible for the Changwat co-operatives to invest little and to sell their products cheaply.

As bankers, they would accept deposits and transfer money. Their banking function was based on the ideas of Schulze and Raiffeisen. Phra Sarasas did not explain further; but Schulze aimed to support urban workers, Raiffeisen, rural farmers. Both aimed to eliminate money lenders. The Raiffeisen form had been chosen as the model for the co-operatives promoted by the Ministry of Finance in 1915.¹¹¹ This provided loans based on personal credit, which consisted of the deposits of members. In other words, Raiffeisen advocated the establishment of rural credit associations. The development of the co-operative movement and the development of co-operative thought will be discussed separately. The former had little success, but the latter became significant not only in the 1930's but also after October 1973.

'CO' represented the Co-operative Society, which would take care of provincial co-operatives all over the country, and advise on technology and

¹¹¹ 'Prawatikan sahakon nai prathed Thai' (The Development of Co-operative in Thailand), in *Khroprong 60 pi khong ngansahakon* (Memorial of 60 years of Cooperatives), Bangkok: 1977, p.12.

capital, in order that smallholdings would combine into larger-scale organizations. It would undertake the co-operative buying of modern tools, fertiliser and seed. 'CO' was an umbrella organization for the co-operatives (see Chart 3-1).

'EX' stood for the Commercial Exchange, similar to the corn exchange in England and the *bourse de commerce* in France. Its main function was to exchange goods both internally and externally; it was where buyers and sellers got in touch with each another. This was not a private but a governmental organization, and the members of the exchange were to be selected by the government. Its aim was to improve grading and prevent the deterioration in quality of products. Phra Sarasas did not explain why and where he got the idea of the Commercial Exchange.

There were several types of financial resource in the plan: savings bank, credit foncier, insurance and national bank. There were two main objectives of the national bank - to make distribution and exchange work smoothly and to secure for the would-be producers the fruit of their work in order to promote production. The main functions of the national bank were to control the national debt, control the gold reserve, to be the principal bank of issue, to be the printing office for the currency, to be a clearing house for private banks and to be the central bank. Siam did not have a central bank at that time and Phra Sarasas saw it as essential for economic development. In his economic plan, he did not promote a particular model of a central bank, based on those in England, France, Germany, the United States, or Japan. But it was clear that he aimed to establish a strong central bank in order that Siam would not rely for loans on foreign countries.

'CF' stands for Credit Foncier, which would accept property as mortgage in order to assist the Cooperative Department. Where would the co-operative societies obtain funds? Phra Sarasas said that funds would be

obtained from the Cooperative Department - if there was not enough, more would be obtained from the Savings Bank. If that was still insufficient, loans would be made from the National Bank.

'A', 'F' and 'TS' represented agricultural industry, extractive industry, and transport and shipping.

This plan would be carried out by a limited company. Government participation would be 50%, the balance being divided between Siamese and foreign nationals. The ratios of capital participation given in the Foreign Office document was: government 51%, Siamese 25%, foreign nationals 24%.¹¹² The central or local government would sell its 50% to the people in the event of success.

The total amount of money needed for this plan was 25 million baht; 15 million in reserves, 6 million in the savings bank, 4 million in government bonds. The government would not rely on loans from foreign countries. 25 million baht would bring about an economic expansion of 75 million baht. Phra Sarasas showed great confidence in his plan:

The General Scheme as submitted will, if carried out, result in economic recovery in Siam within the space of one year. The writer has spent a long time in preparing this scheme; it is one that is suitable for our present conditions and in tune with the present Government: it is simple too, and not complicated: it should be a good scheme.¹¹³

As he did not explain his calculations, it seems useful to compare his figures with government total expenditure in 1933 and 1934. Total expenditure in 1933 and 1934 was 73,639,315 baht and 75,821,788 baht respectively; 25 million baht would be about 30% of total government expenditure in 1934.

There are four observations to be made about the plan. First, in what ways did Western economic thought influence Phra Sarasas? It has already

112 Coultas to FO No. 120, 25 May 1934, F4099/123/40, FO371/18208, PRO.

113 Ibid.

been noted that he was influenced by Ricardo,¹¹⁴ although he simply mentioned the names of Ricardo and Jevons without detailed explanation. Were his economic ideas socialist? His economic plan had socialist aspects because of his strong support for government intervention in the economy, but he was against government control of land, labour and capital. In other words, he supported the right to individual property. It also can be said that some aspects of liberalism, advocated by Adam Smith, Ricardo and John Stuart Mill, had an influence on Phra Sarasas. For example, he paid considerable attention to Ricardo, concentrating on the law of diminishing returns from land, and he suggested several ways to combat it, supplying capital, crop variety and machinery. To put it another way, to provide both fixed capital (for example rice mills) and working capital (improved rice varieties) were necessary to maintain returns from the land. The fertile central area of Siam was now almost fully under rice cultivation, further expansion would involve cultivation of land with less fertility.

Phra Sarasas did not examine the role of rent in Ricardo's theory, or the distribution between wage, profit and rent. Phra Sarasas did not see landlords as an obstacle to economic development in Siam. It is interesting to note that he made no mention of class struggle, his plan did not aim to liberate employee from employer exploitation. He wrote that the plan would make employers and employees work in harmony.

With respect to his 'Triangular Scheme', consisting of cooperation between the government, Siamese capital and foreign capital, the important point is that Phra Sarasas did not deny the role of foreign capital. He

¹¹⁴ *Bangkok Times Weekly Mail*, 4 July 1934. It was written there that David Ricardo's principal work, *On the Principles of Political Economy and Taxation*, published in 1817, discussed value, wages and rent. 'His method in political economy is almost universally abandoned. Even the strongest supporters of the traditional doctrines acknowledge that the value of his formulas have been greatly overrated, and must undergo continual limitation, modification and correction in the light of experience and of historic conditions. Yet his theories are eminently worthy of study, both as a phase in the development of economic science, and as illustrating a stage in the development of economic facts.'

understood that economic development in Siam would be impossible without foreign capital. He pointed out that foreigners were useful to the Siamese in several ways.¹¹⁵

1. they provide knowledge;
2. they release buried treasure, so that it becomes silver and gold;
3. they provide revenue for the government through taxation.

In his economic plan it was clear that he supported government intervention. According to his book, *Setthasat waduai setthakitkankha* in 1937, he argued the case for state intervention in Thailand.¹¹⁶ He maintained that state intervention was appropriate for Thailand because of its economic backwardness. State intervention meant creating a self-sufficient economy, in order not to rely on foreign countries. Phra Sarasas argued that the Thai government should have an economic plan different from European and American plans.

Third, what was the source for his co-operative ideas. Co-operatives were expected to play a major role in his plan, but he did not explore the ideas behind the co-operatives. He simply mentioned German co-operativists such as Schulze and Raiffeisen. It is difficult to see precisely where Phra Sarasas obtained his ideas on co-operatives. My assumption is that the French economist, Charles Gide, may have influenced him. Charles Gide wrote two books about co-operatives, *Consumer's Co-operative Societies*, in 1921, and *Communist And Co-operative Colonies*, in 1930. Phra Sarasas may have read these books during his stay in France. Another clue is that Phra Sarasas wrote that his teacher was Camille Perreau.¹¹⁷

The last issue is finance. Even though he explained the financial sources in his plan his explanation was insufficient and it is difficult to

¹¹⁵ *Bangkok Times Weekly Mail*, 10 July 1934.

¹¹⁶ Phra Sarasas, *Setthasat wa duai setthakit kankha* (Economics of Commerce), Sophonphiphatthanakon, 1937, pp.320-23.

¹¹⁷ *Ibid.*, p.206.

explain his figures. The British Foreign Office considered the financing of the plan a real problem. Coultas reported that, 'Whatever may be the merits of a scheme, in regard to which I am incompetent to form an opinion, it seems fairly evident that the chief stumbling-block will be that of finance.'¹¹⁸ Did Phra Sarasas support balanced finances or not? As revenue was limited, fiscal policy would play an important role. However, he did not mention fiscal policy, and it is not clear whether financing depended on domestic loans or foreign loans.

The second part of this section looks at his life and the economic views promoted in his books. The purpose here is to give some clue to understanding his political and economic thought. The primary sources are mainly his books and his articles in newspapers, and records from the Thai National Archives and the Public Record Office. As his cremation book was never published, it is difficult to describe his life in detail. However, an outline is possible.

Phra Sarasas was born in Bangkok on 14 July 1889.¹¹⁹ After graduation from Swankraap College, he became a teacher of mathematics and physics at Naairooi School (Royal Military Academy). He was eventually promoted to principal of this school - Phibun Songkram was one of his students. In 1915 he was promoted to lieutenant colonel, and given the title and name, Phra Sarasas. He joined the Ministry of Foreign Affairs in 1920. He was first Third Secretary in the Legation in the Hague, but in 1921 he

¹¹⁸ Coultas to FO No. 120, 25 May 1934, F4099/123/40, FO371/18208, PRO.

¹¹⁹ The following information is cited from a brief outline of Phra Sarasas filed in the Mitsui Thai-Room. However some dates, for example of his appointment as Minister of Economic Affairs, is given as 1933, but this is incorrect because he was appointed in March 1934. According to Benjamin A. Batson, 'Phra Sarasas: Rebel with Many Causes', *Journal of Southeast Asian Studies* 27, 1 (March 1996): pp.150-165, many dates are different: Phra Sarasas was promoted Major in 1913 and then Lieutenant-Colonel in 1916. He left the army in 1920, and went to work at the Samsen electric plant in Bangkok, under the Ministry of the Capital. The date for winning the Calcutta sweepstake is 1927, and resignation from the Ministry of Foreign Affairs is mid-1928.

was transferred to London. During this period he studied political economy at the University of London. In 1922 he was appointed Consul General in Calcutta, and in 1923, First Secretary at the Legation in Paris. But he did not agree with the policy of the government, and he therefore resigned. From 1925 to 1932 he lived in exile in Paris. It seems that this period was an important turning point in his life.

During his exile in France, he studied economics and other social sciences at the Sorbonne. It was at this time that he knew Pridi and Phibun. In 1930 he married Claude, the daughter of the French prime minister, Camille Chautemps.¹²⁰ The constitutional revolution in 1932 brought him back to Thailand, and he was made Minister of Economic Affairs in the first Phahon government. He made an effort to develop economic policy, especially the cooperative movement. He resigned as Minister in September 1934. His passion for research into economic issues encouraged him to go to Japan with his family, from 1936 to 1941, and again from 1942 to 1945.¹²¹ In this period he concentrated his studies on Japanese finance and economy, he published *Money and Banking in Japan* in 1940.¹²²

¹²⁰ The cremation book of Phra Sarasas was not published. A simple personal file (in Japanese) was obtained from Zaidan hojin Thai shitsu (Thai Room) of Mitsuibusan. The names of his ex-wife and of her children were not available. However, he had two daughters, Reva and Didi, by his second, French wife, Claude. According to Benjamin A. Batson, 'Phra Sarasas: Rebel with Many Causes', *Journal of Southeast Asian Studies* 27, 1 (March 1996), Phra Sarasas had five children with a Thai Bangkok wife. His eldest son is Captain Somwang and the eldest daughter is Ngarmchit, who married a high ranking prince of the Chakri, H.H. Prince Prem Purachatra.

¹²¹ Mistui Thai-Room. However, according to Benjamin A. Batson, 'Phra Sarasas: Rebel with Many Causes', *Journal of Southeast Asian Studies* 27, 1 (March 1996), Phra Sarasas left Thailand in August 1935 and his first stay in Japan lasted about two years. His second stay was from the end of 1939 to early 1945: p.154 and p.156.

¹²² Phra Sarasas, *Money and Banking in Japan*, London: Heath Cranton, 1940. This book consists of three parts: Administration, Money, Banking. In the preface, he wrote: 'It became evident to the author that a book which will throw light on the difficult position of Japan (which claims a place in the sun), her problems, her hardships, may contribute to a right understanding and a fair sympathy which will pave the way to international accord and amity. For this aim and purpose the book needs not only relevant facts but also a clear and candid presentation of the true aim and intention of this nation together with the principles underlying these facts in order that it may make at once a constructive as well as an objective study.' An article of dialogue on the economy between Phra Sarasas and Tesuji Kada appeared in *Kokusai bunka*, March 1941, pp.18-24.

He went back to Thailand in 1945, and later took up minor official and semi-official positions. The little information on Phra Sarasas's postwar activities makes it difficult to describe his life after 1945. However Batson suggests:

At some point in this period, Phra Sarasas returned to Europe, and then to North Africa, where he had friends with political influence. He went into tea planting, only to be caught up in yet another political upheaval in which his patrons lost their positions and he "lost everything". After this setback he retreated again to France, where he died in obscurity in 1966. A memorial service in Paris was attended by two people, his son and a Thai diplomat.¹²³

Among his economics books, *Setthasat waduai setthakitkankha* (1937), and *Setthasat waduai setthakitkangoen* (1938), are particularly important in terms of their influence on Thai society.¹²⁴ The former was written in Tokyo in 1937, and extracts were published in a local newspaper, *Thai Mai*.¹²⁵ Phra Sarasas stressed the importance of studying economics for the Thai people. He argued that the government did not understand the importance of having an economic policy and an economic plan. To put it another way, the government did not realise the value of economics, which could bring about development.

In the preface to this book he considered the reasons why Thailand was becoming poorer and poorer.¹²⁶ This was not the fault of the people, but a result of the ignorance of economics on the part of the people and the government. He gave as an example the breakdown of a car which could be repaired only by an expert. He said that the mechanisms of economics were greatly more complicated than those of a car. Second, he argued that the economics texts used in foreign countries were obscure and

¹²³ Benjamin A. Batson, 'Phra Sarasas: Rebel with Many Causes', *Journal of Southeast Asian Studies* 27, 1 (March 1996), p.162.

¹²⁴ *Setthasat waduai setthakitkangoen* (1938) was not available in the libraries of Chulalongkorn, Thammasat and the National Library during my research trip.

¹²⁵ Sunthari Asawai, 'Phra Sarasasna Phonkhan kap tamra setthasat waduai setthakitkankha' (Phra Sarasas and the 'Economics of Commerce' text), *Chulasan Thai Khadi syksa* [Thai Khadi Research Institute Bulletin], August 1991.

¹²⁶ Phra Sarasasnaphonkhan, *Setthasat waduai setthakitkankha*, Sophonphiphatthanakon, 1937, Preface.

complicated. Therefore readers were bored with them and did not understand the intentions or thoughts of the authors. In Thailand, the people who understood economics were lawyers. In fact, economics was taught at Law School.¹²⁷ It was common for lawyers to write economics texts. The problem was that most lawyers preferred to use sophisticated vocabulary and an eloquent style, consequently readers had difficulty in understanding.¹²⁸ Therefore the people who read these texts came to realise that studying economics needed a teacher, or a higher education. He also suggested that studying economics was difficult in the beginning but easy in the end.

According to Phra Sarasas, his book in 1937 had three purposes. The first was that readers could understand economics without having a teacher or entering university. The second was to share his experiences and his lessons from life with the people. The third was that economics was necessary for everyone in Thailand. In other words, an individual's development would bring about the development of the household and of the people. A person's life, whether a coolie or a minister, depended on economics. He thought much of the role of economics in the future. The 'division of labour' would expand the range of occupations, especially in commerce and government. In addition, the expansion of occupations depended on economics, because development required knowledge of economics. In spite of his emphasis on the role of economics, he did not ask the people to be economists. What he intended was that everyone should know elementary economics in order to understand the political, economic and social problems which they encountered each day.

¹²⁷ In Thailand, the teaching of economics began with the establishment of Thammasat University in 1934. In the Law School, economics was taught as a minor subject. Pridi and Duan Bunnang taught economics at the School.

¹²⁸ Phra Sarasasnaphonkhan explained that Duan Bunnag was an exception.

His book was banned by the government in 1938.¹²⁹ Phra Sarasas gave his reaction to this decision in letters to the prime minister and to Luang Adundetcarat, minister and director-general of the Police Department.¹³⁰ In his letter to the prime minister on 8 December 1938, he pointed to the government's ignorance of the People's Party sixth principle - that the people must be given the best education possible. Public opinion thought that the government action had been too severe. The book was published by *Prachachat* and widely advertised.¹³¹ He also maintained that the book was not about politics but economics. It was a history of finance. A paragraph, 'whereas power had once resided in those with weapons [i.e., the military] it now lay with those who had money', became controversial. Batson argues:

Phra Sarasas argued that he was simply stating historical fact, that he himself had a military background and he had intended no reflection on the Thai military, that suppression of knowledge and honest opinions would contradict the '6 Principles' professed by the People's Party, that the text had previously appeared serially in the newspaper *Prachachat* without drawing official reaction, and that he was willing to make modifications to satisfy the authorities.¹³²

Public opinion, he suggested, thought that the government intended to discourage the authors of text books. He argued that Thailand needed these texts.

An article, 'Tamra Setthasat khong 555', on 9 December 1938, was sympathetic to Phra Sarasas. The writer was shocked that the book had been confiscated by the police, and he expressed his thanks to the editor who had published Phra Sarasas in *Phrachachat* in serial form. He criticized the government indirectly: 'An economics text has nothing to do with

129 S.R. 0201.8/85. N.A. The book was *Tamra setthasat lem 2* (Economics Text, Vol 2).

130 Ibid.

131 It is not clear whether parts of Phra Sarasas' book were published in *Phrachachat*. However, an article in *Phrachachat* on 9 December 1938 noted publication in the newspaper.

132 Benjamin A. Batson, 'Phra Sarasas: Rebel with Many Causes', *Journal of Southeast Asian Studies* 27, 1 (March 1996), p.155.

nationality, party, or group. It is something like a shelter under a big tree, where people all over the world take a rest for a while.'¹³³

The last part of this section is concerned with the political and historical ideas of Phra Sarasas. As politician, economist and journalist he had many, but it seems that only one aspect of his life has been emphasized in earlier studies. His political role during his stay in France in the early 1930's deserves more attention. A Foreign Office document describes him: 'Whilst in France he is alleged to have been an agent of the Third International and to have tried to form a communistic association among Siamese students in Europe, more particularly in France.'¹³⁴ Vella notes:

At least one older Thai, Phra Sarasat, who was an outspoken critic of the Thai government and was in France as a political refugee, played a part in shaping the views of the Thai students abroad. The Thai government forbade other Thai to see him, but Sarasat propagandized the students against the government by pamphlet and letter.¹³⁵

These letters, written in English, can be found in Thailand.¹³⁶ Phra Sarasas describes them in these terms:

These letters were written in 1930, that is to say, two years before the Revolution of June 24, 1932; and the contents were freely distributed to the Siamese patriots then studying in England and France. They were the 'notorious pamphlets' which the Despotic regime so much dreaded that the government of France was asked to use its good offices to expel the author. Happily that democratic country neither suppressed the pamphlets nor expelled the author.¹³⁷

These letters have several important meanings. First, it is clear that Phra Sarasas wrote them in order to incite Siamese students. It is worth noting that Phra Sarasas wrote 29 letters from 14 July 1930 to 11 August 1930,

¹³³ *Phrachachat*, 9 December 1938, 'Tamra Setthasat khong 555'.

¹³⁴ J. Crosby to FO No. 3, 3 January 1935, F1261/1261/40, FO 371/19379, PRO.

¹³⁵ Walter F. Vella, *The Impact of the West on Government in Thailand*, Berkeley: University of California Press, 1955, p.364. Vella does not mention where these pamphlets and letters can be found.

¹³⁶ Nakharin Mektrairat, Assistant Professor, Faculty of Political Science, Thammasat University found these letters in Phra Sarasas' home in Thailand in 1992. They have not yet been published in Thailand.

¹³⁷ Ibid. The title of these letters by Phra Sarasas was 'To the Siamese Revolutionary Party of 24th June 1934.' These phrases were written in Tokyo, 1 October 1937.

totalling 151 pages.¹³⁸ Second, these letters were not merely political pamphlets, but a kind of political and economic text, which preach the necessity of revolution in Siam.¹³⁹ Third, Phra Sarasas' attitude towards the Siamese absolute monarchy was critical. His descriptions here seem more radical than those in his book, *My Country Thailand*, which was published in 1940.¹⁴⁰

Part of these letters are concerned with the various forms of government, despotism, aristocracy and democracy, with many quotations from the great figures, Montesquieu, Rousseau, Hobbes and Locke. Phra Sarasas examines these various forms in world history with many examples from Europe-Greece, Rome, England, France and Germany. For example, he borrowed a definition of 'despotism' from Bossuet, tutor of the Dauphin, son of Louis XIV. 'Despotism' is defined in the following terms:

1. royal authority is absolute. The Monarchs are gods and are invested with divine immunity. The words of a king are omnipotent and no voice may ask him, 'Why do you do such?'; 2. a judgement pronounced by a monarch is immutable; no other judgement may be superimposed, for the royal authority is absolute; there can be none other. Woe betide he who disobeys; 3. there is no coercive force against a monarch, therefore it is to be deduced that his authority recognizes neither limitation nor resistance; 4. the people should fear their king, for the people have an inclination toward servility and vice. Endowed with a king, they will dwell forever in peace under his sceptre.¹⁴¹

Phra Sarasas explained how and why benevolent despotism occurred and was diffused in Europe, and also notes its decline because of two fundamental causes: 'one pre-eminently material, which affected the world

¹³⁸ Phra Sarasas' French wife, Claude, wrote a Supplement in Paris, 1 September 1930.

¹³⁹ Phra Sarasas, 'To the Siamese Revolutionary Party of 24th June 1934.' Phra Sarasas wrote in the preface: 'This little volume is neither political theory nor political philosophy as I only try to depict the vital episodes of the life of Siam and to draw my countrymen's attention to the danger which lay at her door.' However this statement does not apply to his letters, which explained various forms of government, despotism, aristocracy and democracy.

¹⁴⁰ Phra Sarasas, *My Country Thailand*, 6th ed., Bangkok: Golden Service Co., 1960. This book is about the history, geography and civilisation of Thailand. Phra Sarasas covers the Ayudhya and post-Ayudaya periods by the rule of each King.

¹⁴¹ Phra Sarasas, 'To the Siamese Revolutionary Party of 24th June 1934.' Letter No.3, 'Despotism', 16 July 1930.

on its physical plane, such as the discovery of America, and one predominantly subjective which transformed the intellectual attitude, namely the Renaissance with the Reformation.¹⁴² Phra Sarasas tries to make clear the difference between the benevolent despotisms of Europe and those of Asia.

It should be abundantly clear now that Despotism, even Benevolent Despotism represented by enlightened monarchs, has demonstrated its uselessness, its perfect futility, in the modern universe. Therefore, in the name of justice and in the name of happiness for the human race, it should be shamed out of existence. But how is it that it still rules on the throne of a wonderful country in Asia? The answer lies in the ignorance of the masses, in religion, and in the tradition which gives it shelter and in the opulent property of the soil which, according to Rousseau, opens the door for, then feeds the despots.¹⁴³

He also compared Europe and Asia in terms of law: 'In Europe, the Roman emperors were among the first to promulgate 'Constitutions' - general rules or laws, to be applied universally, but in Asia such laws were incorporated in religion.'¹⁴⁴ The difference between the ancient despot and the modern one was that the former was absolute over all his subjects, but the latter is absolute over all his subjects and the law. In conclusion: 'Our continent has been and still remains the home of despots, and the most horrible oppression was practised and is still being practised in Asia.'¹⁴⁵ He quoted Montesquieu and Rousseau in order to show how despotism causes pain to the people. 'Despotism caused such great pain to human nature that another pain minimizing the great suffering may be considered a blessing (Montesquieu).'¹⁴⁶ Rousseau said in his Contract Social that in a despotic country, he sees only one master, while the remainder are slaves; he never sees the people and their chief. 'If the Master perishes, his Kingdom or Empire, whatever it may be, perishes after him, because it will fall in disorder,

142 Ibid., Letter No.6, 'Benevolent Despotism', 19 July 1930.

143 Ibid., Letter No.8, 'Benevolent Despotism', 21 July 1930.

144 Ibid.

145 Ibid., Letter No.9, 'Benevolent Despotism', 22 July 1930.

146 Ibid.

as the oak falls in ashes after the flame has devoured it.¹⁴⁷

A further part of these letters was concerned with the Government of Siam. In this part, Phra Sarasas talked about the despotic Siamese government, Siamese political history, present conditions, the reformers, education, and customs and traditions.¹⁴⁸ His attack on the Siamese absolute monarchy is comprehensive, with the main aim to persuade his readers of the necessity for revolution in Siam. He says: 'Remember always that our country is the only country in the civilized world, which is still governed by Despotism - the only shameful living relic of the past.'¹⁴⁹ He described the difficulty of getting accurate historical information:

Concerning the epochs before this, in so far as they touch our politics, it is very difficult to obtain any accurate and precise information, because our History has been, and is still being, written on behalf of the despotic Kings, in their interest, and for their glorification. When we get the first glimpse of our political life, this stage is already set for Monarchy [i.e., it is a stage occupied only by the monarchy].¹⁵⁰

His criticism of the Siamese kings continues: 'We can say that every King of the House of CHAKRI showed genuine enthusiasm for the improvement of his dominion - but not of the people, because the people never exist.'¹⁵¹ It is important to note that in spite of his strong criticism of the Kings, Phra Sarasas did not mention the possibility of abolition of the monarchy. In other words, he concentrated on the role of the people based on the exercise of democracy. He says: 'Our misfortune lies in the fact that the masses are degraded and miserable and have lost all hope and aspiration. How to alter this?We must begin to build our nation on the foundations of a healthy

147 Ibid.

148 Ibid. The second set starts from Letter No.19, 1 August 1930, to Letter No. 29, 11 August 1930. Letter No.19 includes 'Our Political History'; No.20 is 'Why have we to change?'; No.21 is 'Conservatism'; No.22 is 'The Program of Despotism'; No.23 is 'Our Present Conditions' and 'The Reformers'; No.26 is 'The fear of Democracy'; No.27 is 'Education'; No.28 is 'Customs and Traditions'; and No.29 is 'Historical fitness'.

149 Ibid., Letter No.19, 'The Government of Siam', 1 August 1930.

150 Ibid.

151 Ibid.

democracy.¹⁵²

Concerning economic aspects, Phra Sarasas noted two points. First, he admits that Siam is rich in natural resources. 'There is plenty of wealth in this country, but it remains unexploited, natural resource with no exchange value; the Government instead of wrestling with its development in earnest, has adopted the doctrine of 'watch and wait'.¹⁵³ He pointed out that the problem was not the natural resources but the men who use them. Phra Sarasas quoted Talcott Williams:

A nation is made great not by its fruitful acres but by the men who cultivate them; not by its great forests but by the men who use them; not by its mines but by the men who work in them.....America was a great land before Columbus discovered it - the Americans have made it a great nation.¹⁵⁴

Regarding the capability of men, Phra Sarasas argues that the Siamese have great possibilities:

In spite of all drawbacks, the Siamese still hold their own against foreigners of all nations in respect of intelligence, because we are one of the most gifted creations - our nation is endowed with intellectual capacity and adaptability, but misuse of these two great qualities bring poverty, misery and degradation. Why? Is it not due to the policy of our despotic government?¹⁵⁵

In order to achieve democracy, Phra Sarasas focused on the role of local government. He thought that establishing local government with full autonomy would decentralise government. That is to say, central government would become a federation of local governments, with Switzerland as the model.

The legislative and judiciary powers should be vested in the provincial council of representatives elected by the local governments. This council would do very well for temporary purposes until a regular and permanent House of Representatives could be established three years later. The power of the Crown shall be confined only to executive

152 Ibid.

153 Ibid., Letter No.24, 'The Government of Siam', 6 August 1930.

154 Ibid.

155 Ibid.

function.¹⁵⁶

Phra Sarasas finished the last letter by saying:

Siam is anxious to see a new awakening, the pulsation of a new life in the whole nation. We must abolish all manner of artificial inequalities. A radical change is imperative. So long as the entire nation refuses to go mad for Liberty and Equality, so long will our salvation remain a chimera.Let our face be turned towards Liberty and Equality.¹⁵⁷

His book, *My Country Thailand*, also contains some interesting points. First, he argued that sending princes, nobles and commoners abroad to absorb Western knowledge was not very useful. Sending them away at an early age made it difficult for them to form their Siamese identity, and they realized the gap between Western society and Thai society when they returned.

It never occurred to the King to send men of ripe experience to the West as Emperor Meiji did, so Thailand lost much priceless time waiting for these young men to come back with Western knowledge.....Naturally these men had little ability to do the work for which they had studied and even less opportunity of doing it. Lack of knowledge of their own country and ignorance of its conditions, marred their achievements. Having been sent abroad at a very young age they came back quite out of touch with their native life and strived with fervid ambition to accomplish a great deal according to the recognised formula of the West.¹⁵⁸

Second, Phra Sarasas discussed his press pen-name, 555.¹⁵⁹

During his reign there was a newspaper publishing house in Bangkok owned by an American, issuing two dailies, one in Siamese and one in English. Special articles appeared from time to time in both papers written by a freelance who used the pseudonym of 555, who was a militant revolutionary. At first the writer attacked neither the King nor his government, but simply brought into contrast what were being done in Siam and in the democratic countries, which gave the readers plenty of food for thought. Later when he became known he began

156 Ibid., Letter No.25, 'The Government of Siam', 7 August 1930

157 Ibid., Letter No.29, 'The Government of Siam', 11 August 1930

158 Phra Sarasas, *My Country Thailand*, 6th ed., Bangkok: Golden Service Co.,1960, p.131

159 The origin of his press pen-name, 555 is explained in Prince Chula's book as follows: 'Phra Sarasas later became a successful journalist and wrote under the pseudonym "555," and when I asked him why he chose that number, he explained that the "5" referred to the Fifth King of the Chakri Dynasty - Chulalongkorn - whom he worshipped, and it was repeated three times in reference to the Triple Gem of Buddhism.' Chula Chakrabongse Prince H.R.H., *The Twain Have Met: An Eastern Prince Came West*, London: G.T. Foulis & Co. Ltd, 1957, p.93.

to drop dark hints of the drawbacks and the dangers which Siam had been and would be courting unless his advocacies were adopted. His articles raised acute controversies and gradually moved from the stage of novelty to general adoption. They were accepted without cavil by the young Thai who went into rapture over them.¹⁶⁰

Phra Sarasas said that the Siamese government was searching for 555 and found him in France.

It was this man who had drawn the Thai government's attention to himself by being the government's target, so that others who were revolutionaries like himself would have a free field for their zeal. It was known at that time that the seeds of sedition which 555 had sown, had sprouted and many intellectual Thai were working under cover towards a revolution.¹⁶¹

Benjamin A. Batson's article on Phra Sarasas shows some part of his life, particularly his relations with Japan.¹⁶² Batson assessed Phra Sarasas's views on politics, economic influence, and the writing of Thai history.

Firstly, Phra Sarasas played an important part in shaping the political developments of his time (even if he himself was at times prone to exaggerating his role). From 1910 to 1932 he was a major intellectual force in a movement for a change that, at least in its most immediate aims, was successful. From 1935 to 1945 he was a leading figure in a case that ultimately failed, but one that nevertheless is a significant and in many ways unique chapter in modern Thai history.¹⁶³

This chapter's study of his letters written in exile in France provides evidence that Phra Sarasas played an influential role in promoting the constitutional revolution. It is easy to conclude that some Siamese students overseas in Europe might have been influenced by his letters.

With respect to economics, Batson notes:

Secondly, it may be suggested that Phra Sarasas' economic influence (which often seems to have been his prime concern) was greater than might first appear. Certainly his brief tenure as Minister of Economics Affairs was not notably successful, nor did his various proposals, plans, and schemes find much favour with those in power, or with a wider public.

¹⁶⁰ Phra Sarasas, *My Country Thailand*, 6th ed., Bangkok: Golden Service Co., 1960, p.150. The English newspaper may have been the *Bangkok Daily Mail*, but the Thai is not known

¹⁶¹ Ibid., p.152.

¹⁶² Benjamin A. Batson, 'Phra Sarsas: Rebel with Many Causes', *Journal of Southeast Asian Studies* 27, 1 (March 1996): pp.150-165.

¹⁶³ Ibid., p.162.

Nevertheless, the mixture of economic nationalism and a degree of socialist centralised planning which he advocated - as did a number of other leaders, Thai and foreign, of his day - was by the end of the 1930s in large measure adopted in Thailand as government economic policy. Under such labels as 'bureaucratic capitalism' these doctrines would remain central to the Thai economy at least until the coming of Sarit and World Bank advisers in the late 1950s.¹⁶⁴

Although Batson says little about Phra Sarasas' Economic Plan in 1934 and his other books on economics, it is clear that Phra Sarasas had a socialist vision of the Siamese economy. The important point is that, as an economist, he did not emphasize theory but had flexible economic policies to deal with actual economic problems.

Concerning the last part, Batson states: 'Finally, Phra Sarasas has had a lasting, if controversial influence on the writing of Thai history.'¹⁶⁵ Batson used several quotations from *My Country Thailand*: 'The work as a whole is discursive, subjective, and unbalanced, but it offers some highly original interpretations, and in particular a view of monarchy virtually unprecedented in Thai historiography. Monarchy, for Phra Sarasas, is an almost unmitigated evil.'¹⁶⁶ Although *My Country Thailand* was his major work, he wrote many articles on Siamese politics, economy and society under the pen-name '555', and his contribution to the mass media of the 1920s and 1930s should be carefully examined.

Although Batson throws light on parts of Phra Sarasas' complicated life, crucial periods, such as his exile in France in the late 1920s and his early life, are still missing. Batson emphasizes the many paradoxes of Phra Sarasas:

All in all, Phra Sarasas remains in many ways a paradoxical figure - a key actor in Thai politics of the first half of the twentieth century who at one time or another was at odds with almost every party or faction in the Thai ideological spectrum, a proclaimed socialist who found refuge in Japan at the height of the militarist period, and a long-time critic of monarchy who

164 Ibid., p.163.

165 Ibid., p.163.

166 Ibid., p.163.

admired the Japanese imperial system.¹⁶⁷

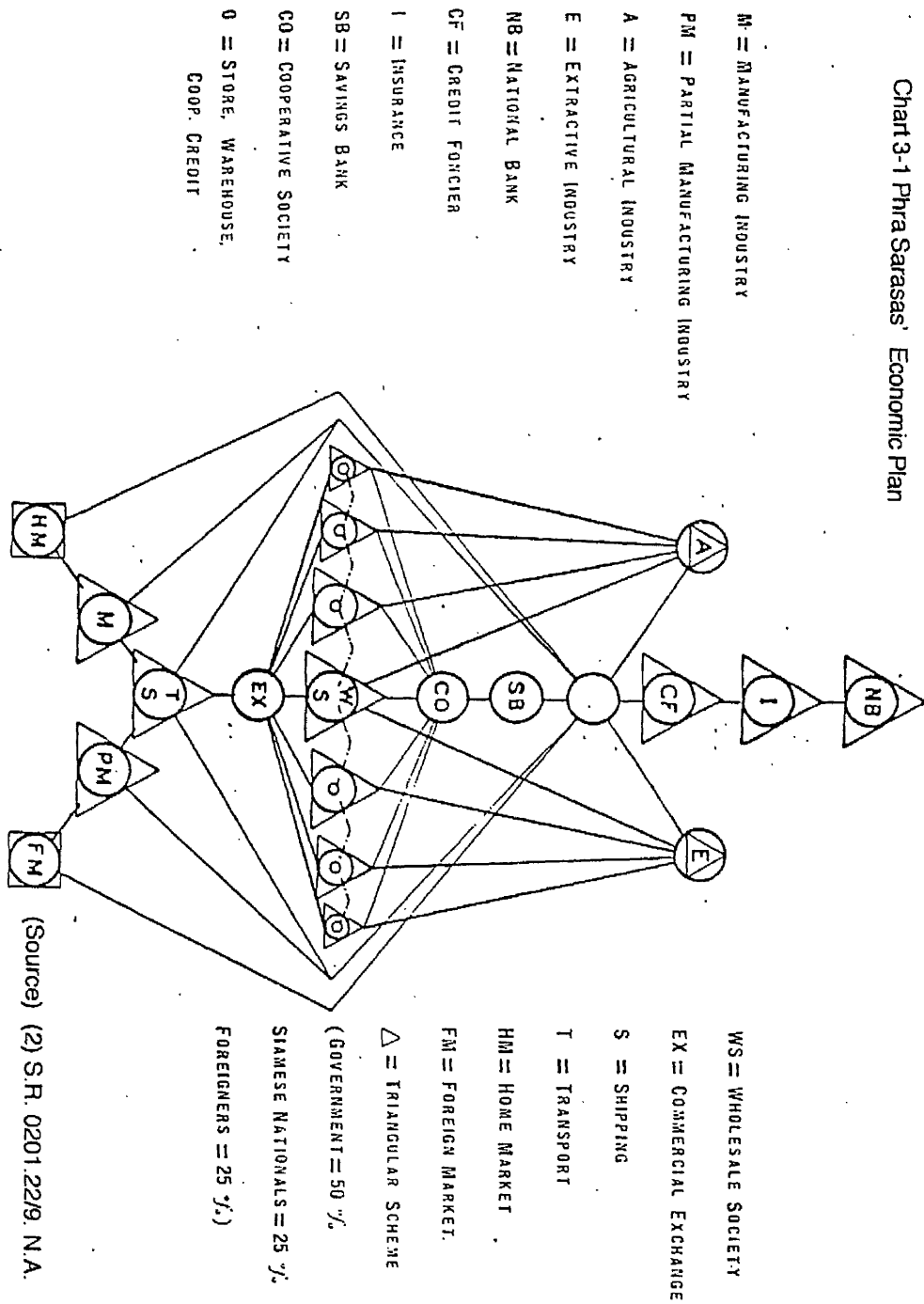
In conclusion, these three plans are important because they showed a comprehensive vision for Siamese economic development. Although, in general, they lacked practical measures they established crucial ideological principles. The confrontation between laissez faire, by Mangkorn Samsen, and socialism and the state intervention in the economy advocated by Pridi and Phra Sarasas caused the government to take ideological positions and brought about wider discussion within the government. The government's response to Pridi's plan, in Chapters 1 and 8, show its serious concern.

In addition to that internal controversy, the foreign community, Crosby, the British Minister to Siam, and the foreign advisers, particularly the financial adviser, exhibited great concern over the plans of Pridi and Phra Sarasas. The foreign advisers' severe attack on Phra Sarasas will be shown in Chapters 4 and 8, and Crosby's comment on Pridi in Chapter 8.

One common theme in the plans of Pridi and Phra Sarasas was the co-operatives oriented strategy, the government response will be examined in Chapter 6. Another common theme was for a central or national bank, this will be explored in Chapter 7.

¹⁶⁷ Ibid., pp.164-5.

Chart 3-1 Phra Sarasas' Economic Plan



Economic Plans: 2

4.1. Introduction

In this chapter, ten economic plans or economic ideas are to be examined. They can be summarised in six parts. First, Mano's and Komarakun's plans are presented. These plans of the two authors, who hated socialism and communism, were directly opposed to Pridi's plan. Second, a request for a special budget by the Minister of Economic Affairs in 1934 is considered, as part of a political and economic conflict between Phra Sarasas and James Baxter, the Financial Adviser. Third, Boriphanyutthakit's plan in 1938, which was closely related to the establishment of the Thai Rice Co. in 1938 is examined. Fourth, there were many minor economic plans or ideas which were presented by the middle class. Among them, Wuthithonnetirak's plan for the establishment of the Samakhom Bamrung Setthakit on 25 July 1932 is discussed. Fifth, there is a case study of the establishment of two governmental institutions to promote trade in 1920 and 1931, to show how economic policy before 1932 worked. Last, there were two plans by foreigners.

There are several points to be discussed here. It is important to realise that many individuals, not only the Siamese élite but the middle class, prepared plans or ideas for the government after the constitutional revolution in 1932. Their social and educational backgrounds were varied and a wide range of individuals participated in the argument as to how to deal with the Siamese economy. For example, their occupations included bureaucrat,

politician, promoter, lawyer and merchant. According to the National Archives, in the two years 1932 and 1933, 130 issues concerning the Siamese economy were submitted as petitions or proposals, or opinions to the government.¹ Details will be given in the section on the middle class in a later chapter. Another interesting point is that foreigners also played a role in the discussions. The foreigners were officials, including the foreign advisers and the Principal Trade Commissioner, and merchants.

Second, some authors had real business experience. Mangkorn Samsen's plan was examined in the previous chapter, but in addition one Thai and two foreign merchants put down their ideas, among them a British rice trade merchant, J.E. England, and a Danish merchant, H. Christiansen, the Principal Trade Commissioner.

Third, nationalism was in evidence in most of the economic plans. Nationalism means anti-Chinese and anti-foreigner, and to encourage the Thai to engage in business and buy Thai products. Chinese middlemen and Chinese rice millers were considered an obstacle to Siam's economic development, and several measures were discussed to deal with this. Foreign merchants were also attacked. It is interesting to note that even J.E. England strongly advocated economic nationalism.

Some measures and ideas were not new - they had been discussed by the old regime before 1932. For example, Mano's and Komarakun's plans included co-operatives, silos and experimental farms, which were under consideration by the absolute monarchy. On the other hand there were also new ideas. Wuthithonnetirak suggested the establishment of the Samakhom Bamrung Setthakit, and England proposed the creation of a company which would deal with every aspect of the rice business, from cultivation, milling, transportation, selling, and buying, to export.

Fourth, the role of government in the economy provoked divisions

¹ S.R.0201.25. N.A.

between those who sought positive government support and those who wanted less government involvement. Mano and Komarakun stressed government support, Wuthithamnethikorn and England supported the idea of self-reliance, which would require farmers and the people to participate fully in projects.

Lastly, similar ideas were often repeated in different plans. For example, Boriphanyutthakit's plan in 1938 can be traced back to England's proposal in 1932, or to Chote Khumphan's economic ideas in 1932. Even though England stressed self-reliance, without government intervention, he indicated the possibility of Thais competing with Chinese and Europeans in the rice business. In contrast, Chote supported government intervention in the rice business. It can be said that Boriphanyutthakit's ideas were similar to those of England and Chote. Boriphanyutthakit supported Chote's ideas. He was also recommended as a member in Chote's plan.

4.2. Mano's Economic Plan in 1933

Phraya Manopakorn's economic plan can be seen in the National Archives.² In 1933 at least three economic plans were submitted, those of Pridi, Phraya Manopakorn and Phraya Komarakun. When Pridi's plan was rejected by the cabinet on 28 March 1934, two conservative economic plans appeared, in March and September. These two economic plans have various similarities, and a strong tendency to oppose Pridi's plan.

Mano's plan, consisting of four parts, was presented at a meeting of the Economic Council on 13 April 1933. In the introduction, the reasons for the economic plan were explained. First of all, the Siamese

² (2)S.R.0201.22/3. N. A. A full translation of Phraya Manopakorn's economic plan is included in an article, 'Siam's Economic Policy', *Bangkok Times Weekly Mail*, 17 April 1933.

people have been engaged only in agriculture, especially in rice farming, so that other crops have not expanded. Concerning trade, it has always been in the hands of foreigners, and the present trade depression has caused serious problems for the Siamese economy. In order to help Siam, Mano pointed out that there was a need to acquire experience and ability. He suggested the value in studying the experience of other countries in order to adapt them to Siamese needs. There were four basic constraints on his economic plan. First, the right of private property and freedom of occupation, as stated in the constitution, should be respected. Second, relations and treaties with foreign countries should be respected. Small countries such as Siam should maintain good relations with foreign countries. Third, public projects would be carried out in accordance with the real needs of the country and public opinion. Lastly, every new project should have an experimental phase to test its viability.

Mano's plan consisted of four parts; part I, Survey and Experiment; part II, Planning; part III, Execution; and part IV, Improvement of the Condition of Agriculturalists and Labourers. Part I, Survey and Experiment, is as follows:

- (1) a general survey of the whole country - its resources - to be made by an expert with a view to finding out the suitability of the soil for various kinds of cultivation;
- (2) increase the agricultural and animal experimental stations;
- (3) survey the vacant lands which are still without owners and modify the rule regarding *chab chong* (to lay claim to a piece of unpossessed land) to suit the cultivation of the land by the people;
- (4) draw up an irrigation system and proceed by stages to improve the means of communication of the country with a view to encouraging agriculture and trade.³

Part II, Planning, is divided into three sections:

- (1) set up a National Economic Council whose duty is to draw up in detail an economic programme, and to collect statistics with a view to checking and modifying the programme to procure the result intended;
- (2) encourage the clearance of goods from the planters and producers so that they may reach the consumers by finding markets for these goods both within and without the country;

³ *Bangkok Times Weekly Mail*, 17 April 1933.

(3) try to encourage and instruct the people so that they may have better knowledge and experience in trade and industry.⁴

Part III, Execution:

(1) as regards undertakings of public utility, His Majesty's Government will have to control or participate in some of them. It will have to undertake some enterprises itself, as it is now doing in the case of electricity, water supply and irrigation;

(2) cooperative credit societies or such other institutions, as will really prove productive. The creation of silos, transportation and the production of certain commodities are important undertakings, and require even more capital and trading experience. However, a good number of individuals have already been engaged in these enterprises. Accordingly, His Majesty's Government should proceed in such a way as would be compatible with the interests of all concerned, that is the Government would share in the capital and the work of the undertaking with the company and individual concerned as a public corporation;

(3) settlement, that is provide land by way of purchase or *chab chong* for the people who have no land of their own or who are unemployed to cultivate or breed animals under the control and assistance of His Majesty's Government.⁵

Part IV concerns the improvement of the condition of agriculturalists and labourers. In this part, four undertakings are described: 1, extension of Co-operative Credit Societies; 2, establishment of co-operative society stores in various localities; 3, silos for rice and other agricultural produce; 4, provision of land for agriculturalists who do not possess any land of their own.

The farmers were so affected by the slump in the price of crops and heavy interest charges that the problem of farmers' debt was vital. It is important to note that the role of co-operatives was emphasized as a means of settling the farmers' debt. Providing agricultural working capital to members of co-operative societies was important. In addition, reasonable prices for necessities and implements, by setting up co-operative society stores in the provinces, would be achieved. Establishing silos would mean that farmers would sell their crops at a good price. The government would also take into consideration milling to promote the interests of all concerned, including private enterprises. The farmers who did not own land would be provided with land, with the idea of setting up co-operative settlements. In

4 Ibid.

5 Ibid.

order to clear and cultivate the land, loans would be offered by the co-operative societies.

Mano explained that his plan was mainly based on agriculture, because agriculture was the backbone of the country. He did note attempts to assist commerce and industry but no concrete policies were mentioned. Mano made interesting points about foreign capital and government intervention in the economy.

We not only lack experience, but our capital is also small. We have to depend on foreign materials in these regards. Accordingly, we should not think of acting independently by ourselves. We should, on the other hand, think of co-operating with them by forming a public corporation, in which His Majesty's Government has the largest share of the capital. At the present stage, however, we should concentrate on aiding and encouraging the existing agricultural undertakings or any future undertakings of the same nature.⁶

In conclusion, Mano suggested not rapid activity but steady work, assured by trials.

As regards the above programme, there are ways and means for His Majesty's Government to proceed with it within a short time. His Majesty's Government, however, will not be able to put the programme into operation throughout the Kingdom all at once. This matter is of great importance. It has to be thought over again and again. Experiments must be made, and it is only when a satisfactory result is assured that the work will be further extended.⁷

Mano's plan was underpinned by various principles and basic ideas. In his introduction, Mano stressed 'liberalism', respect for the right of private property and the liberty of the individual. However, the concept of 'state-socialism' can be seen in sections of Parts III and IV. Government intervention in the economy, by creating state enterprises was mentioned. 'Co-operatism' played an important role. An extension of co-operative credit societies and the establishment of co-operative society stores were promoted. 'Nationalism' can also be seen, in that eliminating Chinese middlemen and money-lenders would settle farmers' indebtedness.

6 Ibid.

7 Ibid.

However, there was no proposal to eliminate foreign influence from the economy entirely. The policies of the absolute monarchy can also be seen, in the proposal for the establishment of silos and in the survey of the country's resources, carried out by Dr. Zimmerman in 1930. In this respect Mano's plan involved a revival of some older economic policies. Relations with foreign countries was also emphasized, with foreign capital participation in state enterprise being recommended.

4.3. Komarakun's Economic Plan in 1933

Before examining the Komarakun plan, there are three points to be considered. First, the early 1930's economic depression hit the farmers seriously. There were several factors, including the high exchange value of the baht, because Siam remained on gold, which brought about a rapid fall in the domestic price of rice.⁸ According to *Economic Conditions in Siam in 1934*, by the British Department of Overseas Trade:

Re-adjustment and re-organisation in the wake of economic depression and political change have been the main task of Siam in 1934 and, though the task has by no means been completed, there can already be no doubt that the country has passed through a difficult period with greater success than the majority of others faced with similar difficulties Government has been able to turn its attention to general economic questions and to consider such important problems as the dependence of Siam on rice and the impoverished condition of the farmer and it may be hoped that it will shortly be in a position to embark on a constructive programme.⁹

It is important to note that Siam's national debt was small, and that the budget

⁸ Department of Overseas Trade, *Economic Conditions in Siam at the close of the third quarter, 1932*, London: H.M. Stationery Office, 1933, p.8. 'Prices of primary produce, already low, were further reduced by the high exchange value of the Baht in terms of currencies on a Sterling basis (it is with such countries that a large part of Siam's trade is done) the low prices realized for rice, farmers were compelled to sell, being unable to hold out; and that commodity continued to go out of the country in large quantities through the year, the exports far exceeding any of the official estimates made of the total available for export.'

⁹ Department of Overseas Trade, *Economic Conditions in Siam at the close of 1934*, London: H.M. Stationery Office, 1935, p.1.

in 1932-33 produced a surplus, following drastic cuts in expenditure.¹⁰

The life of the farmers became worse with the decline in the price of rice. According to *Economic Conditions in Siam, 1932*, 'the monetary return received by the growers was, however, insufficient to cover all their needs, and they had to dispose of such hoarded gold and gold ornaments as they possessed, resulting in a considerable export of those articles.'¹¹ In addition to the decline in the price of rice, Siam faced difficulties in the international rice trade.¹² These factors encouraged the government to present an economic plan, focusing on the development of local industries and the growing of crops other than rice.

The second point is to note the similarity with, and difference between, Mano's plan and that of Komarakun. Both authors were educated in England and believed in liberalism, yet their economic ideas were different. Komarakun's economic ideas were based on the principles of liberalism, Mano seemed to be conservative. Both their plans were submitted to counter that of Pridi.

Komarakun's economic plan can be found in the National Archives, S.R.0201.22/3. There is also a cremation book.¹³ He started his career in the Ministry of Finance in 1908.¹⁴ He studied in England from 1910 to 1916, graduating from the London School of Economics and Political Science as a

¹⁰ Ibid., p.1. 'After budgetary deficits in 1930-31 and 1931-32, in the following year drastic cuts were made in expenditure and a surplus was realised on the ordinary budget of nearly nine and a half million ticals.' With respect to the national debt: 'When it is considered in addition that the National Debt is small (amounting in all to £7,928,069 and Ticals 10,000,000) and that there exist an ample Treasury Reserve Fund, the condition of Siamese finances may well be the envy of most nations.'

¹¹ Department of Overseas Trade, *Economic Conditions in Siam at the close of the third quarter, 1932*, London: H.M. Stationery Office, 1933, p.8.

¹² For example, the Netherlands East Indies and Japan had closed their markets to Siam's rice, and the imposition of import duties on rice entering Kwangtung province in China caused severe hardship for Siamese rice exports.

¹³ *Pramuanwohan khong Phraya Komarakun Montri*, Phimnuang nai ngan phraratchathan phloengsop, Maha-amnat-ek Phraya Komarakun Montri, Watthepsirintharawat, 23 March 1962.

¹⁴ Phraya Komarakun also played an important role under the absolute monarchy. For example, he was appointed Minister of Finance on 1 April 1930.

barrister at law. He worked for the new regime as Minister of Economic Affairs from June to December 1933. At that time, the National Economic Council (Sapha Setthakit) was established, and Komarakun was the President of the Council. He made a speech at its first meeting on 16 August:

The National Economic Council is one of the most important institutions in the country. Its duty is to deal with all economic problems, and these have a very wide scope, covering almost every branch of science and human activities.¹⁵

Komarakun's plan consisted of four main parts; general economy, agriculture, industry and commerce. First of all, he noted that the National Economic Council was in a position to provide an economic programme for the government. The aim of this plan was to investigate the causes of the low selling price of rice, which had brought poverty to the people. Among the objectives of the plan were to utilise unused land, and to increase exports in terms of quantity and variety.

The first part of the plan concerned the general economy. In order to promote the general economy, ten measures were emphasized: government financial policy to create capital, the establishment of a Sapha Ngoentra (National Monetary Council), improvement of transportation, including railways, post, telephone, telex, roads, waterways and canals, air routes to link every part of the country, a search for new ways to promote foreign trade, investigation of mineral resources, production of new products and preservation of resources, expansion of science, a search for ways to expand the savings of the people, to provide education and training for those who wished to engage in commerce and industry and lastly, the establishment of a Thai Chamber of Commerce.

The second part of the plan concerned agriculture. In this part, there were five measures. First, the provision of capital through co-operatives, setting up silos and rice warehouses, providing capital on the security of rice,

¹⁵ Bailey to FO No. 136, 18 August 1933, F6243/42/40, FO371/17175, PRO.

establishing a central agricultural credit institution. Second, establishing land co-operatives to provide land for landless farmers. Third, the expansion of experimental farms to reduce planting costs, improve quality, expand farming knowledge, and create work throughout the year. Fourth and fifth, the expansion of irrigation, and research and advice to farmers.

Concerning industry, three measures were considered. Firstly to regulate patents, trade marks, company names, design, samples and copyright. Second, to establish a state company, allowing the private sector to hold shares and lastly to enact laws concerning working conditions.

In order to promote commerce, four measures were suggested; to set up a warehouse for rice, to expand foreign markets, to establish internal and external agents in order to protect the quality of Thai products, and to promote Thai trade and companies.

In the conclusion, ten proposals for immediate government action were listed; expansion of credit co-operatives, examination of co-operatives for tenant farmers, expansion of transportation, establishment of rice warehouses, crop warehouses, encouragement of savings, expansion of foreign markets and the creation of commercial agents, establishment of a central agricultural credit institution, expansion of experimental farms and construction of irrigation works.

The last part of this section concerns Komarakun's economic thought. According to his cremation volume, he expressed views on the economy and on inflation.¹⁶ In the section on the economy, he defined 'Setthakit' in two words: 'Settha' means best, and 'Kit', work. On the other hand, in the west, 'economy' is made of two words, 'eco' means house, 'nomos' means control. In English, it is easy to understand 'economy' as meaning 'to control the

¹⁶ *Pramuanwohan khong Phraya Komarakun Montri*, Phimnuang nai ngan phraradchathan phloengsop, Maha-amnat-ek Phraya Komarakun Montri (Cremation Volume of Phraya Komarakun), Watthepsirintharawat, 23 March 1962. Setthakit khong rao, pp.129-134, and Ngoenphitpokati, pp.157-160.

house'. This meaning applies to the private person, group, nation and world. This is sometimes called 'political economy', which means to control the assets of a country. Buddha divided the necessities of life into four; food, shelter, clothing and medicine. However, in present times, two more factors, transportation and study, were necessary. He argued that depending on the same economics textbook for every country was impossible. For example, Adam Smith and John Stuart Mill were suitable for England, and Stalin for Russia. The Thai would imitate several models. Of the six factors mentioned above, Thais had enough food and shelter, but were short of clothes, medicine, transportation and education.

Komarakun argued that the word 'ngoenfoe' in Thai was used for 'inflation'. Inflation in English had two meanings; distend with air or gas and artificial or false condition of the currency. His point was that 'ngoenphitpokati' (abnormal money) was a more suitable word for inflation.¹⁷ He also defined the meanings of money, currency and cash. Komarakun quoted from an American economist: 'Money is the nothing you get for something before you get anything.'¹⁸ He distinguished between money and bank notes, in terms of their value. To put it another way, the value of money was based on the metal content, but this was not the case with bank notes. According to his definition, 'inflation' meant to issue more bank notes than products. The value of bank notes depends on the price of products. For example, as the demand for products increases, the price of goods would increase. On the other hand, as the demand for goods decreases, the price of goods would decrease. However, in inflation, the quantity of bank notes would be larger than that of products. Lastly, Komarakun noted the three reasons for inflation; government, bank and nation. When government faces a gap between revenue and expenditure, it has two choices; to increase

17 Ibid., p.157.

18 Ibid., p.158.

taxes and borrow, or to issue bank notes. Banks also provide loans and credit to customers through issuing bank notes. When the people use money rapidly, the increased velocity of circulation would bring about inflation.

4.4. The Special Budget of the Ministry of Economic Affairs in 1934

This section consists of three parts: first, a political conflict in 1934, second, a request for a special budget by the Ministry of Economic Affairs and third, an argument between the Minister of Economic Affairs and the Financial Adviser about Phra Sarasas' economic plan. At that time the Minister of Economic Affairs was Phra Sarasas and he raised various controversial issues, including his economic plan.

In 1934, political conflict brought about many economic problems. On 29 March 1934, four ministers - Defence, Interior, Public Instruction and Economic Affairs resigned, and Pridi, Phra Sarasas Prabandh and Phra Sarasas Bolakandh took over the Ministry of Interior, Public Instruction and Economics respectively. They all belonged to the Pridi faction, and now they took power in the cabinet. Before they were assigned their positions, a severe political conflict occurred around the appointment of the Finance Minister. Chao Phraya Siridharmadhibu, the Minister of Finance, became powerless in dealing with the allocation of the budget. James Baxter, the Financial Adviser, said: 'The Budget was taken completely out of his hands and dealt with in detail by the whole State Council, that is, by 18 people sitting round a table.'¹⁹ Sridharmadhibu expressed a desire to resign, but was persuaded to remain in order to avoid a clash between the moderates and the extremists. That is to say, the Army wanted to push Rajawangsam

¹⁹ Coultas to FO No.108, 10 May 1934, F3068/21/40, FO371/18207, PRO. Copy of a letter dated 17 April 1934 from Mr. James Baxter, Bangkok, to Sir Edward Cook, Cairo.

into Finance, but the Pridi party recommended Phra Sarasas, Pridi's supporter. Controlling the key position of Minister of Finance would have brought about serious political conflict if Sridharmadhibu had resigned. Even though the Pridi faction did not succeed in pushing Phra Sarasas into the Ministry of Finance, they still controlled vital positions in the government. James Baxter was afraid of their influence:

Pradit has been made Minister of Interior, Sarasat, Minister of Economic Affairs. They have the advantage over all the Sridharmadhibus of having a plan, knowing what they want and meaning to get it. These two are at the moment the real Government. And their intention is undoubtedly to work for a socialist state. I do not believe they will succeed.²⁰

Another political crisis occurred in August when Chote Khumphan and other members were arrested on a charge of conspiracy. At that time, Chote was Director-General at the Department of Commerce in the Ministry of Economic Affairs under Phra Sarasas. Chote has been mainly studied for his political thought, his ultra-nationalism, but other aspects, such as his economic ideas or his study in Germany should also be noted.²¹ After returning to Siam in 1933, with a degree of Dr. Rerpol (Politics and Economics) from Germany, Chote started a nationalist political movement.

²⁰ Ibid.

²¹ See his cremation book, *Ratthathananun chabap pathomma-roek con thung patcuban nai kaan phraratchathanphloengsop Doctor Chote Khumphan*, 30 September 2514. Chote was born to a humble family on 29 May 1899. His first turning point came when he joined the Siamese Expeditionary Force (total members, 1,284) in 1917 and went to France. He returned to Siam on 14 October 1917, and decided to go to Germany for study. He was in Germany for fourteen years, from September 1919 to 1933. In 1925 he entered Berlin University, and received the degree of Diploma Kaufmann (Commerce). In 1929 he transferred to Leipzig University to study politics and economics for a PhD degree. He obtained the degree of Dr. RER.POL in 1932, and his PhD thesis was "Siamswirtschaftlicher Aufbau, Aussenhandel Und Zahlungsbilang". He came back to Siam in 1933, and entered the Ministry of Defence. He was transferred to the Ministry of Economic Affairs in August 1933, and was promoted to Director-General of the Department of Commerce in June 1934. He was arrested on a charge of conspiracy on 15 August 1934, and was detained in Mae Hong Sorn province for five years. In 1938, Chote was prosecuted on a charge of plotting against the government, and kept in prison. At the end of 1944, Chote was released under an amnesty of the government of Khwang Aphaiwong. He was elected M.P. in Bangkok in 1945. He played an important role in establishing the Democratic Party (Prachathipat) in 1946, with Seni Pramot and Kukurit Pramot. His nationalist ideas seem to have changed during his long detention. He retired from politics in 1952, and died on 24 May 1971.

He thought much of Nation, Religion, and Justice, and distributed a medallion including these three words.²² The Premier, Phraya Phahon, was afraid of the influence of this movement and asked Dr. Chote to give it up. In the end, Chote gave up this project on condition that the Ministry of Public Instruction should attend to it. A British document, based on Dormer's interview with Chote, revealed a little of his political ideas.²³ According to this document, Chote had a good relationship with Pridi, but did not agree with his 'Marxist' ideas. Dormer describes:

Dr. Joti then explained that his own activities were directed mainly to the elimination of the Chinese influence and power in Siam. This he would do by substituting co-operative societies for the Chinese traders and by the establishment of a central bank. He was not opposed to the introduction of foreign capital and European or American enterprise. He was concerned only with preventing the Chinaman from taking the major profits of Siamese trade and avoiding taxation. He was vague as to how his plan was to be achieved. He seemed ready to organise a new revolution if he got the chance He thought any form of democratic government hopeless in Siam, and asked only for a strong Government which would be willing to carry out wide economic reforms.²⁴

This report also revealed the number of Chote's followers, 2,000, and that Chote was closely watched by the government. The real reason why Chote was arrested on 15 August 1934 is not clear, but the government charged him with acting against the Constitution of B.E.2476, which provides for the peace and good order of the people.²⁵

Chote was one of the few Thai economists who had a foreign higher degree at that time. Chote saw economics as a practical science, and made money through the application of economics. His interest in business and his actual business experience in his early days pushed him into the study of

22 *Bangkok Times Weekly Mail*, 24 June 1933.

23 Dormer to FO No. 73, 22 March 1934, F3037/21/40, FO371/18206, PRO.

24 Ibid.

25 S.R. 0201.15/12. N.A. *Bangkok Times Weekly Mail*, 17 August 1934, and 9 October 1934.

economics in Germany.²⁶ Thomas Silcock described Chote:

Chote was probably not the first trained economist in Thailand, though he must have been among the first few. He was almost certainly the first to teach economics as an academic subject. He must have been a stimulating teacher during the few years in which he taught Monetary phenomena clearly interested him in his youth, and he was one of the early supporters of the idea of a national bank for Thailand Those aspects of economics which were concerned with making money were, to Chote, the trivia of the subject. True economics was the study of the structure of one part of man's political life. This was why, to the very last, he fought against the use of the term *Setthasat* for economics.²⁷

Chote's economic ideas during the 1930's can be seen in the National Archives. Chote's letter to the Prime Minister on 31 August 1933 contained his ideas on dealing with the rice problem.²⁸ He started by saying that Siamese commerce was now in the hands of foreigners. For example, even though foreign consumers paid about 20 baht for Siamese rice (60 kg), Siamese farmers received only 2 baht. In order to sell rice directly to the wholesaler and retail merchant, Chote suggested the establishment of a company, *Phanitchayakan Thai*, with capital of two million baht. Half of the capital would be provided by the government and the rest by the private sector. The company would first purchase rice from the government warehouse and mill it, by renting rice mills, to sell in the domestic market. The second stage would be to establish its own rice mills. In the final stage, the company would export directly to foreign wholesalers and retail merchants, initially in the Malay peninsula, Hong Kong, Havana and Java. He advocated the abolition of consulates where the company was involved in trade, appointing the managers as deputy consul to save the government's

²⁶ According to Chote's cremation book, he demonstrated this interest when he went to France with the Siamese Expeditionary Force in 1917. It is believed that Chote studied in Germany with private funds, which he gained from business. However, the National Archives document shows that Chote was supported by the King for some time. For example, a letter to Chao Phraya Sripiphat from Boriphatra, dated 6 June 1931, shows that Chote was to receive financial support from the King for three years from 1 July 1930. However, suspicion of Chote's involvement in Prince Damratdamrong Thaewakun's cheque robbery in December 1930 terminated his financial support. In addition, Chote was asked to pay his debts by his landlady in Germany, and she asked for help from the Siamese Legation in Berlin. See the file of Chote Khumpan R.7 B.2.1./54. N.A.

²⁷ Chote's cremation book. 'Kamwaiaalai khong Prof. Silcock'.

²⁸ S.R. 0201.8/14. N.A.

funds. The managers would first be responsible for selling Siamese rice and later other products. In addition, they would find suitable and cheap imports. Chote's plan seems quite similar to the proposal for the Thai Rice Company made by Phao Boriphanyutthakit in 1938. It seems that the latter was influenced by Chote's ideas. Chote named Phao Boriphanyutthakit as one of the nine members of the project committee, including Mangkorn Samsen, Luang Wichitwatakan and Chote himself.²⁹ These four were well known for their nationalist political and economic ideas. Second, Chote aimed to eliminate middlemen, mainly the Chinese, from the rice trade. In this document, he did not mention the Chinese middlemen, but his hatred of the Chinese was clear.³⁰ Chote also believed that co-operatives would improve the standard of living in Siam. However, his co-operatives were quite different from those in foreign countries. The government's role was limited to introducing, helping, and supporting co-operatives; the owner of the co-operative would be the people. Chote believed that co-operatives could eliminate middlemen.³¹

4.5. The Request for a Special Budget by the Minister of Economic Affairs, 1934

In this section two main points will be discussed. First, the request for a special budget by Phra Sarasas, the Minister of Economic Affairs, in 1934, its aims, plan, and the consequent dispute with James Baxter, the Financial Adviser. Second, the dispute over Phra Sarasas' economic plan in 1934,

²⁹ Ibid. The other members were Naiphantri Chamunsurarithphrutthikrai, Nai Kengseng Limrat, Nai Tikhon Sriwong, Naiphanek Phrasuriyasat and Nai Limkhun (ex-member of the Board of Commercial Development).

³⁰ Chote blamed the Chinese for exploiting the Thai, and Chinese women for not being willing to marry Thais.

³¹ Chote's cremation book. 'Phu hai kamnoet', by Khuwang Aphaiwong.

between Phra Sarasas and the foreign advisers.

A letter to the Prime Minister, Phahon, by Phra Sarasas, 9 August 1934, can be found in the National Archives.³² In this letter, Phra Sarasas asked the government to spend three million baht in a special budget in order to deal with the economic crisis. He gave, as an example of a special budget, the Budgets Annexes and Budgets Industriels in France. Second, he stressed that expenditure was required immediately and that it would be too late to wait for a plan. Third, he maintained:

Capital expenditure should not be added to administrative expenditure. The two should be separate as is done in other countries. Capital expenditure is an asset not a liability. If this expenditure is included in ordinary expenditure, the budget will not balance and harm may result.³³

Phra Sarasas did not explain how he would use this special budget. He did not explain how the figure of three million baht was reached. This figure was equivalent to about half the expenditure of the Ministry of Economic Affairs in 1934/35.³⁴ However, one of his intentions was to establish state enterprises, such as the Siamese Paper Company.³⁵ Phra Sarasas' letter caused several arguments in the government. Chao Phraya Sirithamathibet, the Minister of Finance, sent a letter on this matter to the Secretary-General of the Cabinet on 13 August 1934.³⁶ The Finance Minister criticized Phra Sarasas for submitting a new proposal in August, because supplementary estimates

32 (2)S.R.0201.22/11. N.A.

33 Ibid.

34 According to the *Statistical Yearbook of Thailand 2480-2481*, the expenditure for the Ministry of Economic Affairs in 1934/35 was 6,374,994 baht. This figure fell sharply to 3,002,117 baht in 1935/36, but in 1936/37 increased to 11,403,747 baht. In general, budget allocations had been concentrated on Defence and the Interior. For example, Defence and the Interior accounted for 22% and 23% of total expenditure in 1934/35. In contrast, the Ministry of Economic Affairs accounted for only 8.4% in the same year.

35 The proposal for the Siam Paper Company was connected with state participation in industrial undertakings, in which the government would subscribe 51 percent of the capital of 1 million baht. According to a Foreign Office document, Phraya Phahon, Phra Sarasas and other members of the government, signed the company's prospectus, in spite of failing to approve a budgetary provision, or discussing it in cabinet. European firms in Bangkok were asked to join this scheme. See details in Coultas to FO No108, 10 May 1934, F3068/21/40, FO371/18207, PRO.

36 (2)S.R.0201.22/11 N.A.

submitted by departments of state had already been discussed by the Finance Committee of the State Council at the end of July. At that time, the supplementary estimates of the Ministry of Economic Affairs had not appeared. The Finance Committee had already approved the supplementary budget and was prepared for it to be discussed in the Assembly. Second, this request did not specify concrete economic measures. Third, it was incorrect to ask for a budget first and submit a plan later. Regarding the Budgets Annexes and Budgets Industriels, the Minister of Finance maintained that they were different from the request by Phra Sarasas. The Minister of Finance did not agree with Phra Sarasas that capital expenditure should be separated from ordinary expenditure. The Minister of Finance thought that a balanced budget was extremely important.³⁷

James Baxter, the Financial Adviser, played an important role in opposing not only Phra Sarasas' economic plan in 1934 but also his various economic policies. It is worth noting that James Baxter was looked upon as Phra Sarasas' sworn enemy.³⁸ Baxter expressed his critical views on Phra Sarasas' proposal in three letters.³⁹ The first letter to the State Councillor for Finance on 17 August 1934 concerned 'Budgets Annexes' and 'Budgets Industriels' in France. Phra Sarasas had stated that in proposing a special budget for 3 million baht, which he described as 'capital', he was following the example of France, which has 'Budgets Annexes' and 'Budgets Industries'. This was a highly significant statement because, 'if the analogy with France is to be sustained, the State Councillor for Economic Affairs

³⁷ Ibid., He wrote that: 'When revenue is not enough for expenditure, it should not make a budget balance by controlling figures in account.'

³⁸ A FO document contains an interesting comment on Phra Sarasas, based on his interview with a British diplomat. 'In further conversation, and in keeping with his pose of bluff heartiness, Phra Sarasasna did not conceal from me that he was encountering in the person of Mr. Baxter the most vigorous of all enemies to the adoption of his cherished schemes. Rather embarrassed by such a statement, I pointed out that the financial adviser represented the Treasury, and I remarked that in all countries it was the practice of that Department to examine critically the proposals of social reformers.' See details in J.Crosby to FO No.178, 27 August 1934, F6014/21/40, FO371/18207, PRO.

³⁹ (2)S.R.0201.22/11. N.A.

proposes to use the 'capital' for the establishment of State Enterprises.⁴⁰

James Baxter defined 'Budgets Annexes' as 'specialised budgets of certain services showing receipts and expenditure and which disclose whether the administration of these services results in a deficit or a surplus.'⁴¹ James Baxter took a positive view on separate budgets by saying:

The advocates of separate Budgets for what may be described as the Commercial Services, state that the rules governing State budgets are unsuitable for State enterprises where the State is a merchant or an industrialist. It is for this reason that, for example, the 'Post & Telegraphs' and the 'Service des poudres' in France are 'Budgets Annexes'.⁴²

In this letter, James Baxter explained French 'special budgets'. What he tried to make clear was the unsuitability of the special budget for Siam.

It is not within the scope of this note to consider whether the system of 'Budgets Annexes' or the further stage of complete autonomy is good or bad. It is a matter of acute controversy in France and many students of French government finance are strongly opposed to the system as destroying budgetary unity and weakening parliamentary control. So far as I know, French practice is not copied elsewhere. The question of interest to us here is the relevance of the analogy used by the State Councillor for Economic Affairs. I confess I see none.⁴³

His critical views were also seen in his conclusion:

I conclude, therefore, by expressing the opinion that there is nothing in the French budgetary system to justify the use of 'Budget Annexe' or 'Budget Industriel' in respect of a demand for a credit for the improvement of economic conditions in Siam.⁴⁴

The second letter was, 'Addition to Note on Demand for credit of Tcs. 3,000,000 submitted by the State Councillor for Economic Affairs on 17 August, 1934.'⁴⁵ This letter examined Phra Sarasas' statement:

Capital expenditure should not be added to administrative expenditure. The two should be separate as done in other countries. Capital expenditure is an asset not a liability. If

40 Ibid.

41 Ibid. 'Budgets Annexes' are described as i) Fabrication des monnaies et medailles, ii) Imprimerie nationale, iii) Services des manufactures de l'Etat en Alsace et Lorraine, iv) Légion d'honneur, v) Service des poudres, vi) Ecole centrale des arts et manufactures, vii) Chemin de fer et port de la Réunion, viii) Postes, télégraphes et téléphones, ix) Caisse nationale d'épargne, x) Caisse des invalides de la marine.

42 Ibid.

43 Ibid.

44 Ibid.

45 Ibid.

this expenditure is included in ordinary expenditure, the budget will not balance and harm may result.⁴⁶

James Baxter insisted that capital expenditure was an essential part of the budget, in spite of various budget forms. He explained that capital expenditure was separate in the 2475 and 2476 Siamese budgets because it was set against the internal loan. However, he was confident that capital expenditure should be included in ordinary expenditure.

So far as I am aware, administrative and capital expenditure budgets are not shown separately in other countries. It is certainly not the usual, far from being the universal, practice. Siam has only done so for three years and will, in all probability, not do so again.⁴⁷

Regarding Phra Sarasas' statement, 'Capital expenditure is an asset not a liability', James Baxter noted that, 'Capital expenditure may be an asset. That depends on the results of the expenditure.'⁴⁸ Concerning balancing the budget, James Baxter criticized Phra Sarasas by pointing out that the important point was not to balance the budget but to control state expenditure in order not to exceed revenues, including loans and reserves.

Surely budgets do not balance by an accounting trick. They balance or they do not. If a State has resources, whether from reserves or from borrowing to balance its budget, ordinary and capital, it is of little importance whether the budget is presented in two sections - ordinary and capital - or in one. If, on the other hand, its budget is not balanced, the effect on the Treasury will be the same no matter into how many sections the Budget may be divided. "Harm will result" not from the form in which the budget is presented but from whether the State's outgoings exceed its incomings including loans and reserves.⁴⁹

The last letter written to the State Councillor for Finance mainly concerned Baxter's general views on Phra Sarasas' request.⁵⁰ He criticized Phra Sarasas for submitting his request after the State Council had approved the supplementary budget.⁵¹ Phra Sarasas, a member of both the Finance Committee and of the State Council, was blamed for not putting forward

46 Ibid.

47 Ibid.

48 Ibid.

49 Ibid.

50 Ibid.

51 Ibid. Phra Sarasas submitted a proposal to the State Council on 11 August 1934.

his proposal during the discussions on the supplementary credits in the Finance Committee. Baxter also argued that the request, lacking any specific economic measures, was too vague.

Third, Baxter discussed economic policy: 'The whole of political-minded Siam is aware that the role of the Government in economic matters is one of acute controversy.'⁵² He pointed out that there were two economic policies at that time; one was government policy in the autumn of 1933, and the other was by Phra Sarasas, the State Councillor for Economic Affairs. The former thinks much of the role of private capital in the development of trade, commerce and industry; but the latter stresses government intervention - that is state-controlled enterprise rather than private capital. Baxter did not comment on these two policies directly. However, he gave the following impression:

I am not here concerned with the question of which of these two policies is in Siam's interest. It is, however, relevant to the purpose in hand to remark that since the official Government policy and that of the State Councillor for Economic Affairs are, as it would seem, different, perhaps even diametrically opposed to one another, it would seem impossible to demand of the Legislature a blank cheque to carry out an economic programme of which it knows nothing and of which it might not approve.⁵³

Fourth, the effect of the world depression on Siam and Siam's economic structure was discussed. Baxter maintained that economic indicators, like the exchange rate, rice, rubber and tin exports, rice prices, unemployment, and the purchasing power of the people, were all sound.

Siam has, without any doubt, weathered the economic depression as well as any other country and much better than most including her neighbours. On the contrary, there are signs that she is beginning to rise from the depths to which the depression caused her to sink.⁵⁴

Regarding Siam's economic structure, Baxter pointed out that Siam was fully dependent on an external factor, the price of rice in world markets.

52 Ibid.

53 Ibid.

54 Ibid.

Siam's problem is to devise and build an economic structure which will ensure that a larger part of the prices paid by the consumer for her products finds its way into Siamese pockets It can only be improved slowly and progressively by the creation and development of a more efficient and less wasteful economic mechanism than now exists. This is the work of a generation or generations.⁵⁵

In conclusion, Baxter pointed out that, 'the problem of economic development is not primarily one of funds but of concrete projects on which public moneys could usefully be spent.'⁵⁶

4.6. Argument between Phra Sarasas and Foreign Advisers

The conflict between Phra Sarasas and James Baxter seems to have been caused not only by their different ideas but also by personal dislike. In this section, Phra Sarasas' relationship with the foreign advisers will be examined.

An article about Phra Sarasas' economic plan appeared in the Thai newspaper, *Krungtheep*, on 24 June 1934.⁵⁷ The article was copied in the *Bangkok Times* on 28 June 1934.

The State Councillor for Economic Affairs, Phra Sarasasna Bolakhand, is to place his scheme for the development of the national economics of Siam before the meeting of the Assembly in August. The State Council has given permission for a sum of Tcs. 25 millions to be spent on the scheme, and it will later require a further sum of Tcs. 75 millions. For this purpose the Government will depend on the credit of the country.⁵⁸

After the article appeared, Chao Phraya Sridharmadhibes, Minister of Finance, and James Baxter expressed their embarrassment. In a letter to the Prime Minister on 30 June 1934, the Finance Minister showed his concern. Although Phra Sarasas' economic plan had not yet been discussed in the State Council or the Finance Committee, the article might give the

55 Ibid.

56 Ibid.

57 (2)S.R.0201.22/9. N.A.

58 Ibid.

impression that the government had approved the plan. Siridarmadibes was afraid of the effect of this on foreign countries. He was afraid of the disruption of commerce, and the effect in securing foreign loans. He maintained that the government should deny the news, claiming that the State Council had not approved the plan to spend money, and that this was only a private proposal of Phra Sarasas. James Baxter also severely criticized Phra Sarasas, in a letter dated 29 June 1934. He pointed out that the figures quoted in the Thai newspaper had been taken from the brochure which Phra Sarasas had printed and circulated. Baxter's argument focused on the responsibility of Phra Sarasas as Minister of Economic Affairs. He blamed Phra Sarasas:

That is to say, he, while a cabinet minister, acts as if he were a private individual. This would in most countries be considered a breach of etiquette so flagrant that the Government of which he was a member would publicly disavow him and demand his resignation.⁵⁹

In other words, Baxter thought that Phra Sarasas had appealed to the people over the government. It is also worth noting that Baxter made comments on Phra Sarasas' plan, although it is not clear whether Baxter could read Phra Sarasas' brochure.⁶⁰ Baxter described Phra Sarasas' plan in these terms: 'I believe that its adoption or rather its execution - a very different matter - would mean economic and financial ruin to Siam. If I were a Siamese I should fight it to the last ditch.'⁶¹ Baxter may have had biased views about the plan because of his personal dislike of Phra Sarasas. In conclusion, Baxter suggested that the State Council take immediate steps to discuss Phra Sarasas' plan, and accept or reject it.

Another controversy arose over a comment by Phra Sarasas which appeared in the *Bangkok Times* on 9 July 1934. In this article, Phra Sarasas tried to remove misapprehension.

But this morning H.E. the State Councillor frankly admitted that there is a pretty

59 Ibid.

60 Phra Sarasas completed his economic plan on 14 July 1934.

61 (2)S.R.0201.22/9. N.A.

general misapprehension - at any rate in the foreign community - as to the nature of his plan, and he said he would be glad to have such misconceptions removed. He then said in effect: - My plan will not compete with commercial houses, or any existing commercial enterprises.....The plan is to bring private enterprises into closer co-operation with the administration in regard to economics. But people who know nothing of the proposed plan give free rein to their imagination, and think that it is a repetition of Luang Pradit's plan. It is nothing of the kind. It is absolutely a new plan which takes into consideration the economic welfare of the people, in conjunction with existing businesses and enterprises. I need co-operation from all sides. In making this plan, I have not been a bit influenced by any existing plan whether that of the Soviets, or Chancellor Hitler or Signor Mussolini. I have been influenced only by the discussions and schemes of the old Economic Council, on which Mr. Raymond B. Stevens, Mr. James Baxter and Mr. Charles L'Evesque were prominent members.⁶²

This last sentence brought about a serious argument between Phra Sarasas and the three foreign advisers, who criticized Phra Sarasas. There were three points. First, as Stevens put it, 'the fact that I was a member of the old Economic Council does not entail that I am in full agreement with all the resolutions and conclusions they have adopted.'⁶³ Baxter claimed to see Phra Sarasas' intention: 'he desired to remove misapprehensions in the foreign community as regards the nature of his Plan; the significance of the mention of the names of three foreign advisers is obvious.'⁶⁴ Second, the advisers maintained that they did not know the contents of the plan. Stevens saw only a diagram or outline, but had not been asked his opinion by the government. They were quite sure that Phra Sarasas' plan was not based on recommendations or discussions which they had attended. Third, they blamed Phra Sarasas for commenting in public. Stevens argued that:

I am afraid that a State Councillor cannot properly commit a Government Official in a public statement without previously securing his consent, such an action may cause great embarrassment to the Official, because, on account of his position, he is not absolutely free to discuss, in an effective manner, the correctness of a statement in which he does not concur.⁶⁵

62 Ibid.

63 Ibid. Letter to Phraya Phahon-phonphayahasena by Stevens, 10 July 1934.

64 Ibid. Letter to Chao Phraya Sridharmadhibes by Baxter, 10 July 1934.

65 Ibid. Letter to Phraya Phahon-phonphayahasena by Stevens, 10 July 1934.

The counter-arguments can be seen in a document in the National Archives.⁶⁶ Phra Sarasas wrote a letter to the Prime Minister on 31 August 1934 denying all claims by the three foreign advisers. His letter was full of severe criticisms. He maintained that their claims damaged the prestige and trust of the Minister, and that they were just advisers. Phra Sarasas objected to every sentence in the advisers' letters. He said that it was a fact that the three foreign advisers were members of the old Economic Council: he had not used their names simply to reassure the foreign community. Second, he accepted that his plan had not been discussed in the State Council, or had been submitted as a full plan. It was well understood that it was not an official plan but his own private plan. Finally, he made it clear that he was merely influenced by the discussions, not dictated by them.

4.7. Boriphanyutthakit's Economic Plan

Boriphanyutthakit, Minister of Economic Affairs, submitted his economic plan to the Secretary-General of the Cabinet on 15 January 1938. It can be found in the National Archives, (2) S.R.0201.57.1/2. It consists of 16 pages, divided into three parts: promotion of six businesses, including rice, jute, rubber and the tourist industry, the establishment of freezer storage and the establishment of cotton and soybean oil manufacture, the establishment of a rice mill and third, a record of the proceedings of the cabinet concerning various projects of the Ministry of Economic Affairs.

Before examining the details of the plan, there are several points to be considered. First, the plan had close connections with the establishment of the Thai Rice Company in 1938 - it was a plan for the company. Second, the plan was part of the nationalist policy of the People's Party. Third, arguments

⁶⁶ (2) S.R. 0201.22/9. N.A.

between various ministries at the cabinet meeting revealed diverse opinions on economic policy. There are four cremation books for Boriphanyutthakit.⁶⁷ According to two of them, his studies in Germany, Switzerland and France from 1909 to 1919 did not involve economics.⁶⁸ However, his positions as Minister of Economic Affairs, Minister of Finance, and Minister of Commerce under the Phibun Government suggest that he had economic training.

This section consists of three parts: first, the background to the promotion of the rice business, the discussion of the plan at the cabinet meeting, and finally, a detailed examination of the rice mill plan.

Siam's economy depended on rice. The average annual value of rice exports was between 90 and 99 million baht at that time.⁶⁹ The National Archives document pointed out that middlemen, mostly Chinese, dominated the profits from rice exports, earning 45 to 49 million baht per year. In fact, the Financial Adviser, Doll, estimated in 1937 that about 50 percent of the export value of rice was taken by the miller, rice trader, merchant, exporter and middleman.⁷⁰ According to this paper, the new policy for the rice business would emphasize co-operatives. It was pointed out that co-

⁶⁷ Phao Boriphanyutthakit, *Phonek Phao Phianoet Boriphanyutthakit, Krasuang Setthakan phim pen anuson nai ngan phrarachthanphloengsop Phonek Phao Phianoet Boriphanyutthakit Atit rattmontriwakan Krasuang Setthakan*, (Cremation Volume of Phao Boriphanyutthakit), Watthebsirinatharawat, 18 November 1970. Phao Boriphanyutthakit, *Anuson nuangnaingan phrarachthanphloengsop Phonek Phao Boriphanyutthakit* (Cremation Volume of Phao Boriphanyutthakit), Watthebsirinatharawat, 18 November 1970. Phao Boriphanyutthakit, *Ruamkodmai lae rabiap ngankhlangbangruang Krombanchiklang phim pen banakan Phonek Phao Boriphanyutthakit (Phra Boriphanyutthakit)*, (Cremation Volume of Phao Boriphanyutthakit), Watthebsirinatharawat, 18 November 1970. Phao Boriphanyutthakit, *Thanakhanhaengprathet, phimpen anuson naikan Whrarachthanphloengsop Phonek Phao Boriphanyutthakit (Phra Boriphanyutthakit)* (Cremation Volume of Phao Boriphanyutthakit), Watthebsirinatharawat, 18 November 1970.

⁶⁸ *Phonek Phao Phianoet Boriphanyutthakit, Krasuang Setthakan phim pen anuson nai ngan phrarachthanphloengsop Phonek Phao Phianoet Boriphanyutthakit Atit rattmontriwakan Krasuang Setthakan*, (Cremation Volume of Phao Boriphanyutthakit), Watthebsirinatharawat, 18 November 1970. *Thanakhanhaengprathet, phimpen anuson naikan Whrarachthanphloengsop Phonek Phao Boriphanyutthakit (Phra Boriphanyutthakit)* (Cremation Volume of Phao Boriphanyutthakit), Watthebsirinatharawat, 18 November 1970.

⁶⁹ According to James C. Ingram, *Economic Change in Thailand 1850-1970*, Stanford: Stanford University Press, 1971, the average annual value of rice exports in 1930-34 and 1935-39 was 91,240,000 baht and 94,570,000 baht respectively: table III, p.38.

⁷⁰ *Ibid.*, p.72.

operatives had problems in selling paddy, nor least when the price of paddy was low. There were several reasons for this. In rural areas, Chinese middlemen operated with a co-operative like business except that the co-operative belonged to the merchant himself; this report described them as owners of the co-operative. In addition, the rice mills were dominated by Chinese. Furthermore, the Ministry of Economic Affairs had commissioned the Chinese to construct warehouses for rice. This made it difficult to purchase paddy except by relying on the Chinese. The government already had commercial co-operatives and transportation organizations, it should now have its own purchasing organisation. Furthermore, constructing a port would reduce reliance on the Chinese for transportation.

The plan for the rice mill called for a total investment of 500,000 baht, and 25,552 baht for expenditure on the central rice market. This plan had been discussed in 1934 when Phra Sarasas was the Minister of Economic Affairs.⁷¹ Phra Sarasas established a committee to submit a detailed report to the Ministry of Finance. This committee considered a small-scale rice mill with 40 Kwien (ton) capacity. However, in 1937 a rice mill of at least 300 Kwien capacity, for 24 hours operation, was discussed. At that time, some Chinese rice mills had a capacity of 500 Kwien.

In the cabinet discussion of this plan in 1938,⁷² the Minister of Finance supported the plan of the Ministry of Economic Affairs, saying that government initiative was vital because progress would be slow if the matter depended on the Thais. But he had a rather pessimistic opinion of the plan, pointing at the figures for estimated revenue of about 108 million baht and expenditure of 20 million baht. In addition, he said that the Asiatic Co. took more of the profit. At that time, British companies, the Anglo-Siam Co. and the

⁷¹ The records of the committee under the Ministry of Economic Affairs are not available.

⁷² The date was 26 January 1938.

Borneo Co., were engaged in the rice trade.⁷³ The Chinese rice companies were Wang Lee, Li Heng Chan and Sun Heng Lee.⁷⁴ Boriphanyutthakit, the Minister of Economic Affairs, commented that in the past Siamese millionaires had existed in the rice business; but now only Chinese made fortunes. He also stated that his plan had been discussed in the committee of the Ministry of Economic Affairs when Phra Sarasas was the Minister. A 40 Kwien capacity rice mill might be expensive because there were no economies of scale. A 300 Kwien capacity rice mill would make more sense; but making a profit would be difficult because the government could not cheat the people, saying that it was owned by Chinese. The important point was for the government to engage in the rice business. As the government faced difficulties in selling paddy purchased from farmers, buying paddy from co-operatives and selling it to its own rice mill should be considered.

Several negative comments were made about this plan. The Minister of Finance pointed out the difficulties of the rice business, giving the example of the Siam Kapmachon Bank which had several rice mills with severe deficits after 15 months of operation. The Minister of Justice indicated the shortage of talented men, and raised the possibility of operating the rice mill as a private company or state enterprise. The Minister of Defence argued that the 1932 revolution had not been successful because no one can control the price of rice. The government had established co-operatives in order to eliminate the middleman but the results had been poor. If the government established a rice mill, it would be able to control the price of rice. The problem was that farmers were suffering from low prices. The Minister of Finance argued that the government's influence on the rice business would be marginal, because it dealt with just 0.5 percent of the rice

⁷³ Sungsidh Piriyarangsarn. 'Thai bureaucratic capitalism, 1932- 1960', Master's thesis, Faculty of Economics, Thammasat University, 1980, p.93, footnote.

⁷⁴ Ibid.

trade.⁷⁵ The Minister of Defence was against private ownership, pointing to the failure of a pulp factory. He supported the idea of establishment by the government, and later sale to the private sector. In contrast, the Minister of Finance supported private establishment and ownership.

According to this document, there were two main reasons for the establishment of the rice mill. It would transfer the rice business into the hands of Thais, first the government and then Thai merchants. Second, it would aim to avoid trouble in the rice market, created by the monopolised position of foreigners.

The government decided not to set up a rice mill right away but to rent existing private mills, for example, the Chinseng rice mill owned by Ma Lap Khun. The monthly expenditure for this rice mill was about 6,102 baht.⁷⁶ The production capacity was 500 Kwien per day (24 hours), the monthly capacity 15,000 Kwien.⁷⁷ The cost of production was 41 satang per Kwien. The cost of coolie labour was 80 satang per Kwien. Tax and gunny sacks cost per Kwien, 3.91 baht.⁷⁸ In total, the cost per Kwien was 5.12 baht.

This document noted the risks of the rice business, and suggested that the government was in a better position than private merchants to handle them. However, several problems were mentioned. For example, purchasing paddy in Bangkok would become difficult because small rice mills were being established in provincial towns. This had brought difficulties for the rice mills in Bangkok. There were two ways to deal with this problem. First, agents of the Department of Commerce would go into the provincial towns to purchase paddy through co-operatives and private farmers.⁷⁹ The government could compete with private merchants in terms of higher prices

⁷⁵ (2)S.R.0201.57.1/2. N.A.

⁷⁶ The detailed breakdown for this figure is given on p.6.

⁷⁷ One month was calculated as 30 days.

⁷⁸ If rice was exported to Europe or Cuba, the cost of gunny bags was exempt.

⁷⁹ At that time, there were more than 800 co-operatives and their total sales of rice were about 28,000 Kwien.

for the farmers. This was because the state railway offered special rates to the government.⁸⁰ For the transportation of rice by ship, the government would also be able to compete with the small rice mills, by offering attractive prices. The main market for rice consisted of government agencies, civil servants, including army officers, the Penitentiary Department, hospitals, foreign companies, and export to Hongkong and Singapore.

The quality of rice had been a big issue, because the government had to decide the standard every year. Although merchants used 'super', 'special', 'A1', 'C1', and 'C2', the government fixed the new standard with foreign and Chinese merchants; "Government Standard No1", '2', '3', '4', '5'.⁸¹ This new standard was to limit the competition from small rice mills and stabilize the rice quality for foreign markets, which was essential to expand sales.⁸²

Government intervention in the rice business was also achieved through the licence system. Rice mills, warehouses, transportation, brokers and the domestic market were all controlled by the Department of Commerce. The purpose of legal enforcement was to support Thai, Luk-Chin, and loyal Chinese.

The establishment of a central market by the government was recommended; in Bangkok, selling and buying rice outside this market would be prohibited by law. Rice boats from provincial towns coming to Bangkok were required to inform the registrar at the central market, and receive a selling licence. This card showed not only the class of paddy but also the place of cultivation. Rice millers were not allowed to purchase paddy from merchant without cards, and these cards were to be transferred from the merchant to the rice miller in the central market when they conducted

80 Total yearly volume of paddy transported by the railway was about 225,000 Kwien.

81 These standards were decided by the percentage of broken rice.

82 The government had suffered through the bad reputation of Thai rice in the international market, because of the lack of a permanent standard.

business. For rice millers, a license would be issued to maintain the quality of rice. The Department of Commerce was responsible for the central market, and the price at the central market would be the market price which the Department of Commerce announced all over the country.

Sungsidh explains the success of the Thai Rice Co. in the following terms.⁸³ He pointed to legal (political) enforcement. Existing Chinese rice millers had to give up their business, by renting out their mills to the Thai Rice Co.

Within a short period of time the Thai Rice Co, Ltd. became a large company with almost 50 rice mills. But the rapid growth of the Company was not alone according to the market system. The Company expelled the competitors by political influence rather, it was not because of its economic stability.⁸⁴

Second, almost all of the directors of the company were Promoters and cabinet members.⁸⁵ Third, strong support from the government came in the form of low rates on the state railway. Lastly, a monopoly, supported by the government, enabled the company to expand milling, trading and exporting. It is important to note that Thailand was the only rice exporter after 1940, because other Asian producers suffered from the war. According to Sungsidh: 'While the domestic price was 30 bahts per ton, the world price was about 200 bahts per ton.'⁸⁶ The rapid increase in export prices caused domestic prices to rise, so that the government, in April 1941, began to control rice exports. The government recommendation to eliminate private rice mills in 1939 left rice millers with just two options; rent out their rice mills or mill rice for the company. These factors made the Thai Rice Co. not only an economic base for the People's Party but also very profitable. The government wanted to eliminate the Chinese middleman and rice millers, but the Thai Rice Co depended on close co-operation with them.

83 Sungsidh Piriyaarangsarn. 'Thai bureaucratic capitalism, 1932- 1960', Master's thesis, Faculty of Economics, Thammasat University, 1980, pp.95-106.

84 Ibid, pp.98-9.

85 Ibid, pp.99-101.

86 Ibid, p.102.

4.8. Wilat Osathanon's Proposal to Promote Siamese Trade

Wilat Osathanon submitted his proposal to promote trade to the cabinet on 1 September 1934. He had attended a Buddhist association tour to Japan, and had visited Japan, Manchuria (including Harbin and Mukden city) and China (including Peking, Nanking, Shanghai, Hong Kong and Canton). During this trip he was convinced that Siam should try to promote trade with East Asia.

Wilat had studied in England and had been a civilian promoter. He married a daughter of Seow Hood Seng, and his wide overseas Chinese connections were used to expand his business. Judith A. Stowe notes: 'Vilas was related by marriage to a leading Bangkok Chinese family closely associated with the Kuomintang; hence he had links with a wide network of Overseas Chinese businessmen throughout South East Asia.'⁸⁷ He held several government positions: Thai Trade Commissioner, Hong Kong, 1937 to 1939; Cabinet Minister, 1939 to December, 1941; Director-General, Government Propaganda, 1939 to 1941. Wilat was also appointed director of various state enterprises, such as Thai Niyom Panich, Thai Niyom Insurance, Thai Niyom Bangrak, Thai Niyom Phanfa, Thai Salt Co, National & City Bank of Thailand and the Siam Commercial Bank.⁸⁸

Wilat's proposal can be seen in the National Archives.⁸⁹ This short document consists of seven pages, with several measures to promote Siamese trade. His first point concerned trade between Japan and Siam; broken rice exports to Japan (mainly Nagoya) were approximately 16 million

⁸⁷ J.A. Stowe, *Siam becomes Thailand: A Story of Intrigue*, Honolulu: University of Hawaii Press, 1991, p.190.

⁸⁸ Akira Suehiro, *Capital Accumulation in Thailand 1855-1985*, Tokyo: Center for East Asian Cultural Studies, 1989, pp.131-2.

⁸⁹ S.R. 0201.25/738. N.A.

yen each year, and Siamese imports from Japan, per year, were about 17 million yen. He pointed out that while Japan had now stopped purchasing broken rice, imports from Japan had increased. Wilat had negotiated with Japanese civil servants and merchants over this issue, but it was now impossible to export rice to Japan. However, Wilat had asked Japan to help Siam, by purchasing Siamese goods such as cotton instead of rice.

His second point concerned the importance of China for Siamese trade. Wilat had visited Hsinking, the capital of Manchuria.⁹⁰ He was impressed by the rapid development of the city and had met several high ranking government officials to discuss trade between Siam and Manchuria. He also recognized that Hong Kong was an important commercial centre. It was important for British goods going to southern China, Kwangsi, Tunnan, Fukien, Kiangsi and Hunan. He pointed out that the British government had given a loan to China to construct a railway from Canton to Hankow. Hong Kong was also important for Siamese trade. Siamese exports went to five main markets: Hong Kong 30%, Singapore 20%, Europe 20%, Japan 10%, and others, including Vietnam, Java and America, 10%. Wilat argued that the completion of the railway from Canton to Hankow would bring an opportunity for Siam to promote its trade. Wilat's main suggestion was to appoint a Siamese consul in Hong Kong.⁹¹ A consul would provide detailed and reliable commercial information: a foreigner as consul was useless - sending a capable Siamese was extremely important. Even though Hong Kong accounted for 30% of Siamese trade, the Siamese government had largely ignored this important market. At that time, Siamese merchants did not have their own warehouse in Hong Kong because of a lack of capital. Therefore they could not respond to price fluctuations in the Hong Kong

⁹⁰ The Manchurian state was established on 1 March 1932. Hsinking is now called Changchun.

⁹¹ At that time, the Siamese consul was a foreigner. Wilat blamed him for having little interest in Siam: he did not know what a Siamese banknote was like.

market. In this matter Siamese government support was required. Wilat argued that the consul should be a direct representative of the Siamese government. An expert or businessman with much experience in business would be suitable. He would collect not only statistics but practical business information, and find new markets for Siamese products.

His ideas were not new, but his proposal carried weight because of his travels in Asian countries. In fact, Wilat was appointed Trade Commissioner in Hong Kong from 1937 to 1939.

4.9. Middle Class Participation in Economic Issues

National Archives documents give evidence that many in the middle class submitted their suggestions or ideas to the government on dealing with various economic problems. It indicates that even the middle class was very interested in economic issues as well as political ones; some were apprehensive about a deterioration in the standard of living, particularly in rural areas.

Table 4-1 shows that 804 documents were submitted as petitions, proposals and opinions to the government from 1932 to 1939, but the years 1932 and 1933 accounted for about 90% of that total.⁹² In their proposals and ideas, the middle class were positive.⁹³ It is interesting to note that while the Khunnang class also participated in discussion, commoners or the middle class played a particularly important role. Topics of interest to the middle class and the khunnang class included the economy, taxes, the bureaucracy and ministries, education, law and salaries.

⁹² This figure is based on my own calculation, using the index of S.R.0201.25. N.A.

⁹³ For example, in 'Sanukhwamhen' (proposing ideas): in 1932, there were 59 by Nai, 7 by Khun, 14 by Luang, 6 by Phra, 4 by Phraya, and 1 by a Caophraya. In 1933, there were 45 by Nai, 3 by Khun, 7 by Luang, 2 by Phra, and 4 by Phraya.

Economic topics were the major subject. During the two years 1932 and 1933, 130 documents concerning the Siamese economy were submitted,⁹⁴ accounting for about 18% of the documents in 1932 and 1933. Among the 130 documents, 64 (about 50%) were submitted by commoners, 29 (22%) by nobility, 7 (5%) by army, navy, or police officers, and 1 by a member of the royal family, 29 (22%) by others.⁹⁵ This shows that the middle class played an important role in expressing economic ideas to the government.

Among the 130 documents, commoners and the middle class wrote on various issues; tax, poverty, economic nationalism, finance, development, rural problems, manufacturing industry, commerce, how to reduce expenses, how to deal with the economic crisis, private companies, the Ministries of Finance and Economic Affairs, transportation and labour. Table 4-2 indicates that the major concerns were agriculture, economic problems, finance, requests to the government, economic development and tax. With respect to rural problems, most attention was paid to setting-up rice mills, the price of rice, how to deal with the farmer's debts, export marketing and cooperatives. It is important to emphasize that the arguments by the middle class were as lively as those by the Siamese élite or within the government.

The contents of these documents depended on the background of the author. It is often difficult to describe their educational background and occupational experience because most documents lack this vital information. However, it would appear that some authors had quite high educational qualifications and considerable job experience. Among them, the merchants proposed practical solutions to economic problems. However some authors just expressed their feelings without substantial evidence or

94 This figure is calculated from the index of S.R. 0201.25. N.A.

95 S.R.0201.25. N.A. In the nobility, 29 figures consist of Phraya 11, Luang 11, Khun 5, and Phra 2. In others, 7 were a name without title, 4 were by ratsadon (people), 1 by mahachonchawna (farmer), 1 by merchant, 1 by canai (leader).

knowledge about economics.

It is clear that economic nationalism was already rife within the middle class in 1932. For example, 9 documents were about economic nationalism and suggestions for the government to establish a weaving industry in order to sell to civil servants and students⁹⁶ and not to encourage the people to buy foreign products.⁹⁷ Positive ideas to employ more Thai rather than Chinese, Indian and other foreigners were explored.⁹⁸ However they were emotional not intellectual or well thought-out anti-Chinese feelings. Setting-up a rice mill by Siamese, a proposal to use not foreign products but Thai ones, the establishment of a self-sufficient economy, were the main themes. Economic nationalism was not simply a product of Rama 6: in 1932, it was a common theme of the Siamese elite and of the Siamese middle class.

After the constitutional revolution on 24 June 1932, several economic plans or proposals appeared. They included Mangkorn Samsen's economic plan and H. Christiansen's plan.⁹⁹ In the National Archives, there are other suggestions or proposals for the improvement of the Siamese economy. Among them, Luang Wuthithonnetirak's plan seems to be particularly valuable. It was the second economic plan, after Mangkorn Samsen.¹⁰⁰ He submitted the documents to the government, for the establishment of Samakhom Bamrung Setthakit on 25 July 1932. Luang Wuthithonnetirak (Amphan Sripalin) graduated from law school in 1919, the same year in which Pridi graduated.

A letter from Luang Wuthithonnetirak to Thammasakmontri, President

96 S.R.0201.25/214. N.A.

97 S.R.0201.25/413. N.A.

98 S.R.0201.25/414. N.A. S.R.0201.25/415. N.A. S.R.0201.25/505. N.A.

99 See Mangkorn Samsen's plan in the previous chapter, and H. Christiansen's plan in *Bangkok Times Weekly Mail*, 1 December 1932.

100 Mangkorn Samsen submitted his plan to the Assembly on 4 July 1932.

of the Assembly on 25 July 1932, suggested the establishment of the Samakhom Bamrung Setthakit.¹⁰¹ This plan consists of twenty-one pages, with eighteen sections. In the introduction, he emphasized that Siam was a rich country in terms of land, crops, forest and mineral resources. The aim of the Samakhom would be to improve the state of the country, to have respect for religion, to establish lasting freedoms, and to improve commerce. His nationalist ideas can be seen in several aspects. The establishment of Samakhom would be at three levels; *tambon*, *amphoe* and *changwat*, under the supervision of the central Samakhom.

The main activity of Samakhom was to improve products, notably by the diffusion of information. For example, information on goods in the *tambon*, inventions, goods in demand, prices, markets and transportation costs would be reported to the Central Samakhom by members. Luang Wuthithonnetirak thought that information was vital to improve commerce. Concerning inventions, the committee of the Central Samakhom would offer awards for good ideas, and look for investors to establish companies. The committee would hold meetings every month to distribute information and knowledge: it would invite experts on commerce and handicrafts, and hold exhibitions of samples. Research on domestic, imported, and exported products would be carried out. When domestic products improved and sold in the domestic market, it would be time to export. Membership of Samakhom had several requirements - it was open to those resident in Siam for over fifteen years but persons who had a criminal record for theft or forgery, or did not respect religion and nation, were excluded. References were required from a current member. Only those who were of Thai origin could vote at membership acceptance meetings.¹⁰² The obligation of members would be to improve goods, help inventions, and pass to others their

¹⁰¹ S.R.0201.25/83. N.A.

¹⁰² In the plan there is no mention of the Chinese. However it seems that he aimed to exclude the Chinese.

knowledge of commerce and the activities of Samakhom.

The committee would be open to Thai nationals over thirty years old. Committee members would be elected by all members, and their term of service would be three years. Ten committee members for the central Samakhom would be selected by election. Their term of service would be three years, with three members being changed every year.

Luang Wuthithamnetikorn (Krawi Banditkun) became a barrister-at-law in 1919, after graduating from the law school of the Ministry of Justice. According to his cremation book, he worked for the government as a judge for almost all his life.¹⁰³

His document on the economic crisis can be seen in the National Archives.¹⁰⁴ The document has no date, so there is confusion over its timing. A description of the Mano and Phahon governments in the document indicates that it was submitted after the start of the Phahon government, 21 June 1933. Luang Wuthithamnetikorn tried to analyse the causes of the Siamese economic crisis.

His opinions on the economic crisis consisted of 25 pages, divided into 15 parts. It can be summarised in five parts; cause and effect of the economic crisis, financial policy, co-operatives, law, and lastly, tax.

The first part of his document dealt with the causes and effects of the economic crisis. He thought that the security of the country was vital, and that the government should pay attention to the possibility of foreign intervention. If the Siamese did not harm foreigners, intervention would not happen.

¹⁰³ *Anuson nai ngan phraratchathan phloengsop Luang Wutithamnetikorn (Krawi Banditkun)*, 22 August 2510. Luang Wutithamnetikorn was born on 24 April 1893 and died in 1967. He started his career as a judge in Thonburi provincial court in 1921. He was transferred to various provincial courts six times, from 1930 to 1947. In 1948 he was promoted to judge in the appellate court. In 1953 he became head of division of the appellate court, and from 1955 to 1958 he was head of department of the appellate court. In 1958 he retired and then taught law at Thammasat University. Luang Wuthithamnetikorn, Luang Wuthithonnetirak and Pridi graduated from law school in 1919.

¹⁰⁴ (2)S.R.0201.22/1. N.A.

He pointed to following factors: bad economic conditions, breakdown of unity, jealousy, envy in politics, misdirection of the people and lastly, communism. He mentioned that the Siamese hate communists, but that there was a possibility of spreading communism in a period of bad economic conditions. Bad economic conditions would cause unrest. He noted the decline of the people by saying that Thais were in any case inclined to spend money and have wasteful habits. It was more difficult now to find a job, a job was now less profitable in the case of rice and other products and investment now did not yield enough return. The investor who used to make a profit now received no profit. The investor who used to avoid debt, now was a debtor. The people were now watching what the government was doing. If helping the people in a direct and rapid way was not discussed in the Assembly, the people would not be satisfied. He blamed the Mano government, saying that the people had lost faith in it. The Phahon government tried to help the people. Regarding members of Parliament, he thought that elected members had little ability - members appointed by the government would play an important role. Most of them had experience in the previous government, before the constitutional revolution. There were two ways to help the people; one was short - term investment, for example, providing land; long - term investment, including providing seeds, produced a result within four or five years. Government investment in irrigation and communication was recommended.

The second part of the document concerned finance. He pointed out that the money in circulation (110 million baht) was less than the reserves (130 million baht). Money in circulation per head was just 9 baht, and this figure was very low compared to developed countries like France (500 baht per head), Belgium (230 baht), and England (100 baht).¹⁰⁵ It meant that money in circulation in Siam was slow - rich merchants had a lot of

¹⁰⁵ Ibid. He did not give the source for these figures.

purchasing power while the poor complained of not having enough money to spend. Therefore, the government should print more notes. Second, he suggested raising internal and external loans and starting a lottery.

In order to help the people, he thought that the government should play an important role. The government had power to spend money. The government could assist poor people by lending money at low interest rates - those who wanted to borrow must be a member of a co-operative. Co-operatives would be the guarantor for the loan. Co-operatives seem to have been the backbone of his ideas. He mentioned the two types of co-operative in Europe; Schulze in Germany, and Raiffeisen in Prussia, but his co-operative model was different from those two. He proposed the Samakhom Songkharo Sahakon (Association to Help Co-operative). This association would be the centre for co-operatives, and its function would be to control and coordinate co-operatives. According to his plan, membership would be open to everybody, and a membership fee would be required. Members would receive weekly or fortnightly newspapers. The function of borrowing and lending between co-operatives was emphasized. Co-operatives would belong to the central association noted above, and their function would be to play the role of a bank, by increasing capital or receiving capital through a lottery. When the government had sufficient capital, it would be possible to establish credit co-operatives, other types of co-operative, and silos.

He suggested several laws to help the people. For farmers, laws to regulate rates of rent, and laws to help farmers in debt were mentioned, but there was no detailed plan. He pointed out that debtors did not have any way to repay debts. Laws to protect the safety of private vehicle passengers was suggested. Laws were to protect not only land and waterway passengers, but small business from big business. In order to do this, rates of passenger fees would be fixed, and the number of vehicles would be

regulated. In this context, he blamed big business (Chinese and foreign) for exploiting small businesses. In other words, the government should protect Thai merchants. Laws on savings banks would persuade the people to save money.

The last part of this document concerned the tax system, especially a liquor tax. He pointed out that illegal liquor caused harm to the state revenues. He explained the change from the tax farm system to direct state involvement in liquor distilling. Under the tax farm system, the government offered the contract once a year for sale of liquor in each district (*tambon* or *amphoe*). The retail price was fixed. The merits of the tax farm system were that it increased the tender price, the distillers made an effort to produce good quality liquor in order to get more profit, and the government did not spend money to suppress illegal liquor, because it was the distillers' responsibility.

Under the new system, the government was involved in distilling and selling. The government subcontracted to the private sector to distil, purchasing liquor at 20 litres for 3 baht; this was sold to a distributor. The government paid only a small fee to the distributor, and made a large profit, accounting for 14 baht out of the selling price of 19 baht.¹⁰⁶ But the quality of the government liquor was bad, because the private subcontractors and distributors found it difficult to make a profit because of the low commission fees. They diluted the liquor by adding water. Liquor sold in the countryside was better than the government liquor, in terms of price, taste and strength. The distiller in the countryside made 2 or 3 times the profit of the government. In conclusion, he suggested the revival of a more flexible contract system, offering contracts for more than a year, and subcontracting to more than one distiller in order to improve quality.

¹⁰⁶ Ibid. The government profit is calculated as follows; retail price, 19 baht per 20 litres, minus subcontract fee (distilling), 3 baht, minus distribution fees, 2.5 baht, = 13.5 baht.

There were several important themes behind Luang Wuthithamnetikorn's ideas and proposals. His career and educational background should be noted. He was neither a promoter or member of parliament - he was a lawyer. His background was quite similar to that of Mangkorn Samsen, who submitted the first economic plan after the constitutional revolution. Neither had studied abroad. Studying at the law school in Bangkok seems to have influenced Luang Wuthithamnetikorn. He may have studied French instead of English law, because the curriculum changed from English to either English law or French law in 1917. Studying French law included studying politics, economics, and philosophy.¹⁰⁷ Pridi and Luang Wuthithamnetikorn had studied together at law school. Pridi entered law school in 1917 and graduated in 1919, which was the same year in which Luang Wuthithamnetikorn graduated.

The second point is that Luang Wuthithamnetikorn expressed nationalist ideas. He blamed Chinese and foreign merchants for exploiting small Siamese merchants. He also had much respect for religion and nation. He did not mention the monarchy or respect for the king. He hated communism, and said that bad economic conditions would bring about the spread of communism. The third point is his emphasis on self-reliance and mutual aid - he stressed liberalism rather than socialism. In other words, small government was preferred to big government. In his view, capital was not a fundamental problem in economic development. This idea was quite new among Siamese economic plans.

He was influenced by foreign thought to some extent. His description of cooperatives, or of the monetary situation in Europe showed his interest in foreign countries. But he tried to modify foreign ideas for Siam. For

¹⁰⁷ Nakharin Mektrairat, *Kanpathiwat Sayam ph. s. 2475* (The 1932 Revolution in Siam), Bangkok: Thammasat University Press, 1992, pp.72-73. There were 901 graduates (899 male, and 2 female) from the law school between 1897 and 1932.

example, he tried to create cooperatives which were suitable for Siam. But he did not succeed in expanding his ideas into a detailed plan.

Phien submitted his proposal in 1932.¹⁰⁸ Phien had engaged in business for twenty years. He said that he had started in business without any working capital, but now had assets of eighty thousand baht. It is not clear what this business was, or why he wanted to join the People's Party.

He had five main proposals: first, the establishment of a saw mill in Bangkok, to encourage Thais to engage in saw milling, supplying wood for public use. His anti-foreign views were strong, and he maintained that Thais could do business without relying on foreigners. Although he did not explain in detail how the saw mill would operate, he claimed it would create up to ten thousand new jobs. The government would play an important role in establishing the saw mill, as well as training Thai technicians. With the success of the government project, the government would act as an example in using Thai products. Second, the establishment of an electric rice mill for the army, prisons, civil servants and the people, aiming to eliminate the profit of foreigners.¹⁰⁹ Third, the construction of warehouses for Siamese products, to encourage producers and consumers to increase quality and decrease prices, and to increase the popularity of Thai products. Fourth, the use of criminal labour for productive activities, using criminals to produce firewood for the railway department or logs for the government saw mill. Fifth, to support Thai goods and Thai merchants, so it would be possible for Thai goods to compete with foreign goods. He suggested that imports be restricted to necessities which Siam could not produce itself. He had the impression that education made the Siamese more nationalist, and economic depression made the Siamese love their own goods.

¹⁰⁸ S.R.0201.25/178. N.A.

¹⁰⁹ He did not mention Chinese merchants. It seems that he attacked mainly Europeans. The Thai phrase, 'Khon tang chat' is always used in this document.

Another short document in the National Archives discussed nationalism.¹¹⁰ Wichien Supakarn suggested the establishment of a 'Samakhom Sinkha Thai'.¹¹¹ He argued that the cause of the Siamese economic depression was the Siamese national character. The Siamese liked expensive foreign products. Most of the shops were in the hands of foreigners, who sent their profits to foreign countries. He thought that this was the main reason for Siam's economic stagnation. His suggestion was to change the Siamese national character. The establishment of a 'Samakhom Sinkha Thai' would build skills and a commitment to promote commerce. At the same time, 'Thai products for Thai people' would be promoted. The members of the People's Party would be expected to play a role in initiating this policy: for example, they would wear Siamese cloth. In this way, more Thai products would be sold. The retail shops would be run by real Thais, and competition from foreign shops would be excluded.¹¹²

Two further short documents dealing with nationalist ideas can be found in the National Archives. The first was by Sai Samonkrisana, sent to Phraya Mano, the President of the Economic Council, on 29 April 1933.¹¹³ Sai wrote that he was not an expert on economic matters, and described himself as of low knowledge and low status. His document was divided into two parts; the causes of the weakness of Siam's economy, and its solution. Sai pointed out that the Thai were not engaged in commerce and industry but mainly in agriculture. This was the reason why foreigners became rich. He said that he had never met a rich Thai who had made a fortune through commerce, industry, or agriculture. He compared the Thai with the Chinese in terms of their attitude towards commerce. Thais ignored finance and the

¹¹⁰ S.R.0201.25/80. N.A.

¹¹¹ The occupation of Wichien Supakarn is not mentioned.

¹¹² The expression 'real Thai' might indicate anti-Chinese. However, he did not mention Chinese merchants. He did not explain how to prevent competition from foreign shops.

¹¹³ S.R. 0201.25/504. N.A.

economy, and did not make an effort to know about commerce and industry. In contrast, the Chinese had been familiar with commerce for a long time. For example, even Chinese children knew how to buy cheap and sell dear. The Thai was inclined to like convenient and easy things. This placed commerce and industry in foreign hands. Even in the rice business, profits fell to the foreigner, because they dominated rice milling. The same applied to the timber trade. He repeatedly blamed the Thai, saying that they did not trust, understand, or help each other.

In the second part, Sai suggested the establishment of co-operatives. His idea was that co-operatives would be established as companies, to which all classes of people would join as shareholders. He suggested a revision of commercial law to reduce the stock per person to under one baht. This would encourage more people to participate. This company would engage in commerce, industry and agriculture, under the name 'Sahakon Phanitchakan haeng Siam camkat'. Sai recommended the establishment of a central bank to support the company, although again, he gave no details.

The last document concerned commerce, and was sent to the President of the House of Representatives in June 1932.¹¹⁴ Why were Chinese the dominant merchant, middleman, and money lender? His answer was that a great number of Chinese worked in shops. In order to encourage Thai merchants, he suggested that the government introduce a law to ensure that Thais were employed in companies, factories and shops. This would secure Thai managers in the future. He noted that commercial schools were useless, because of limited job opportunities - Thai graduates would find it difficult to find a job because they were Thai. Therefore they worked as clerks in the government. He noted that the Siamese Electric Co.,

¹¹⁴ S.R. 0201.25/188. N.A. The author's name was given as 'luksanasud' but no date was given.

which employed Thai motormen as a concession, proved that Thais had the ability to work.

4.10. The Establishment of the Board of Commercial Development in 1920

This section examines various plans and proposals to assist commerce and trade by the Ministry of Commerce from 1920. There are two issues: first, the establishment of the Board of Commercial Development in 1920; second, the setting-up of the Commercial Department with the appointment of the Principal Trade Commissioner in 1931.

This section examines the economic background of these plans, analyses them and considers the involvement of foreigners, especially foreign advisers and merchants. It is generally believed that the Siamese government in this period did not make a serious effort to encourage commerce and trade because of limited financial resources. According to Chatthip and Suthy: 'Local entrepreneurs did respond to economic opportunity for setting up local industry, but they received little support or attention from the government.'¹¹⁵ In addition, low tariffs, a small domestic market, and lack of raw materials, capital, and entrepreneurship were important.¹¹⁶

Why did the government establish the Board of Commercial Development in 1920 and the Commercial Department in 1931? There were serious economic crises around 1920 and 1931: even though the first crisis

¹¹⁵ Chatthip Nartsupha, Suthy Prasartset, and Montri Chenvidyakarn (eds), *The Political Economy of Siam 1910-1932*, Bangkok: The Social Science Association of Thailand, 1981, p.6 The decline of local industries, like women's goods, the tanning industry, and tin ore processing is mentioned. See pp.8-9.

¹¹⁶ In 1855, the Bowring Treaty fixed import duties at 3 per cent ad valorem. It was not until the 1920's that Siam regained fiscal autonomy.

did not bring about a long - term economic decline, the second created political and social conflict which contributed to the constitutional revolution of 1932. The appointment of Prince Chantaburi as the President of Commercial Development in 1920, and of Christiansen as the Principal Trade Commissioner in 1931 is important. Why did the government appoint a foreign merchant, Christiansen, as the Principal Trade Commissioner? The answer to these questions will involve both political and economic factors. The establishment of the Board of Commercial Development in 1920 was perhaps related more to political than economic factors. On the other hand, economic factors seem to have played a more important role in the establishment of the Commercial Department in 1931.

The establishment of the Board of Commercial Development (BCD) in 1920 was a serious government effort to deal with a critical situation, caused by both external and internal factors. The worldwide shortage of food caused a keen demand for Siamese rice during the latter half of 1918 and in 1919. This brought about a rapid increase in the local rice price.¹¹⁷ In order to protect the people, the government was forced to prohibit rice exports in July 1919.¹¹⁸ The worst was yet to come, for a lack of rainfall in the summer and autumn in 1919 caused a poor harvest. As a result, rice exports were seriously damaged. In fact, rice exports in 1920 fell almost 50 %. The British Consular Report in 1920 explained:

For the five years prior to 1919-20 the average annual export of rice in its various forms amounted to 1,070,370 tons. For the year ended March, 1919, the export was 845,323 tons only, valued in round figures at 132 million ticals or £10,161,260 at the then rate of exchange. During the year ended March, 1920, only 441,039 tons of rice and its derivatives were exported, but the effect of demand and high exchange was such that this unusually low

¹¹⁷ Department of Overseas Trade, *Report on the Commercial Situation in Siam at the close of the year 1920*, London: His Majesty's Stationery Office, 1921, noted that the price of white rice per picul in 1915-16 was, on average, 5.80 ticals; 11.40 ticals in 1918-19, and 22 ticals in 1919-20. p.11.

¹¹⁸ Under the rice export prohibition, exports of broken rice were allowed under license in August 1920; in December of the same year, the export of all types of rice was permitted, subject to control. Exports were finally allowed without restriction from 1 February 1921.

tonnage was valued at no less than 123 million of ticals, or £10,911,586 rendered into sterling at the average exchange of 11.28 to the £1.¹¹⁹

The sharp decline in exports brought about a deficit in the balance of trade for the first time in modern Siamese history.¹²⁰

Under these circumstances, the King expressed the urgent need for the government to assist commerce. According to a translation of the proclamation, dated 28 August 1920, published in the *Bangkok Times*, the background to the establishment of the Board of Commercial Development was as follows:

At the present time, the first decree begins, all the countries of the world are striving to improve and increase their commerce by encouraging development and cultivation on a big scale on the part of the people. Siam also should, like other nations, hasten to take steps to expand her commerce. Hitherto the duty of this direction has been divided between a number of Ministries; but what has been done so far is not sufficient, as there has been no one whose business it has been to put his heart into this work and get the fullest results. For these reasons His Majesty is pleased to direct that the Department of Commerce and Statistics in the Ministry of Finance, whose special business it is to promote commerce, shall be advanced to the rank of a Ministry, and be under the direction of a special Commission for the furtherance of Commerce.¹²¹

This proclamation should be considered as part of a political struggle between the King and some influential Princes. The King, Vajiravudh, had been annoyed by the budget restraints imposed by the Minister of Finance, Prince Chantaburi. Financial reforms in 1913 had limited royal funds, such as travel expenses, maintenance of the royal palaces, and personal expenses. The King had to negotiate with the Ministry of Finance for increased expenses. In fact, the King received 10.25 million baht under the

¹¹⁹ The trade figures of the Department of Overseas Trade were based on the port of Bangkok, which covered over 80 per cent of the foreign trade of Siam. Department of Overseas Trade, *Report on the Commercial Situation in Siam at the close of the year 1920*, London: His Majesty's Stationery Office, 1921, p.11.

¹²⁰ According to the *Report on the Commercial Situation in Siam at the close of the Third Quarter, 1921*, Department of Overseas Trade, London: His Majesty's Stationery Office, 1922, exports in 1920-21 had fallen to 66,138,025 baht, whilst imports were 147,331,831 baht, thus causing a 81,193,806 baht trade deficit. *Statistical Year Book of Thailand in 1929-30* shows exports in 1920-21 at 90,492,501 baht, imports at 159,676,275 baht, therefore causing a trade deficit of 69,183,774 baht.

¹²¹ *Bangkok Times*, 23 August 1920.

Royal Accounts in 1925, which was eleven percent of total government expenditure, compared with Chulalongkorn's 10.37 million baht in 1910, which was 18 percent.¹²² Prince Chantaburi, a son of Chulalongkorn, had been Minister of Finance from 1908. During King Vajiravudh's reign, Prince Chantaburi faced various requests from the King, for special travel expenses, renovation of palaces, and the Wild Tiger Corps. But Prince Chantaburi turned most of them down because of the limited budget. The King's first attempt to undermine the power of Prince Chantaburi came in 1919. He was ordered to become the Supervisor (Kamkap) of the Ministry of Agriculture, in addition to Minister of Finance. The Ministry of Agriculture had been neglected, in spite of its importance in the Thai economy. 'Agriculture was another ministry that was sadly neglected. It was so poorly managed that from 1897 to 1899 it was temporarily disbanded.'¹²³

In 1920 Prince Chantaburi was appointed President of the Board of Commercial Development. Greene describes the King's intentions:

The King's strategy, it appeared, was to neutralize the power of Chantaburi by assigning him a plethora of duties. Wachirawut hoped that he would not be able to handle any one adequately and thus the actual control in the ministry would develop to assistant ministers whom the King was confident would be more manageable than Chantaburi. There was little the Prince could do in return. He could complain, but how could he bewail what seemed to be an increase in power. He could resign, but that would only allow the King to have more control over the state's finances.¹²⁴

It is therefore clear that the political factor, to undermine Prince Chantaburi's power, was at least as important as the economic factor.

The aim of the Board was to promote trade. It had two functions; consultation and executive. The Council of the Board, including officials of other Ministries, was to consult. It was described as follows:

a consultative body whose duty is to aim at co-ordination and co-operation in

¹²² Calculated from *Thailand Statistical Yearbook 2480-2481*, p.283.

¹²³ Walter F. Vella, *The Impact of the West on Government in Thailand*, Berkeley: University of California Press, 1955, p.349.

¹²⁴ S.L.W. Greene, 'Thai Government and Administration in the Reign of Rama VI (1910-1925)', PhD thesis, University of London, June 1971, p.319.

developing the wealth of the country; to submit their views on such matters to His Majesty the King; and to tender their advice to other Ministries and Departments on questions of a commercial nature. The Council is composed of officials of the Board, Members and Advisers.¹²⁵

The Board was empowered to invite to its meetings any minister, any director-general, or any other official in any ministry, in order to brief the Board on any matter, or furnish it with expert knowledge. Every ministry and department with a seat on the Board was required, whenever any matter connected with the commerce of the country arose in their ministry or department, to submit it to the Board, so that there was coordination and cooperation.¹²⁶ The members included the President, Vice-President, Minister of Finance, Minister of Lands and Agriculture, Commissioner-General of State Railways, Director General of Revenue, Director General of Customs and the Director of the Irrigation Department. The number of members was not limited, and any official who might be useful could be appointed or invited to attend meetings. The members did not include merchants or experts - all were civil servants. The advisers were the Financial Adviser, the Adviser to the Ministry of Lands and Agriculture and the Adviser to the Ministry of Commerce.

The executive functions of the Board were to encourage the commerce of the country, to find new openings for trade and to execute the policies of the Council. The relationship between the Council and its executive functions was not clear. The *Bangkok Times* noted that:

the terms of the appointment are vague, but they do emphasize the vital importance of the expansion of the country's trade. For that reason the Commission has aroused a little hope and a good deal of curiosity. Its purpose, one assumes, is not to teach the shipping companies to run their ships and avoid liquidation, or to teach any firm import or export business. Trade is to be increased, one presumes, by improving the economic position of the cultivator; and Siam is a fortunate country in that there is still time for such an advance to come as a gift from above.¹²⁷

125 K.Kh.0301.1.28/10. N.A. K.Kh. stands for Office of the Financial Adviser.

126 Ibid.

127 *Bangkok Times*, 28 August 1920.

The Financial Adviser, W.J.F. Williamson, also gave his opinion on the functions of the Board of Commercial Development which were: (1) coordinating the activities of the government to assist the commerce of the country; and (2) providing the Ministry of Commerce with a ready means of consultation with other branches of the administration.¹²⁸

In other words, the Board of Commercial Development, though an integral part of the Ministry of Commerce, is, I take it, merely a consultative and advisory body to whom the Minister of Commerce, in his capacity as President of the Board, submits important questions for consideration and opinion, and which he keeps informed of the progress of the various activities of his Ministry in order to stimulate the interest, and to obtain the assistance of, the other Ministries represented on the Board.¹²⁹

4.11. The Establishment of the Department of Commercial Intelligence in 1931

In this section, there are three main issues. How was Siam affected by the 1930s depression? Second, the different background to the establishment of the Board of Commercial Development in 1920 and the Department of Commercial Intelligence in 1931. Why did the Siamese government appoint a foreigner, Christiansen, as Principal Trade Commissioner in 1931? This appointment should be seen in the context of the East Asiatic Company's role in Siam. Thirdly, the financial chaos brought about by Britain's departure from the gold standard in September 1931 caused severe argument in the government. The Financial Adviser played an important role in the government's final decision. Why did the Financial Adviser strongly advocate that Siam remain on the gold standard?

The year 1931 was a bad economic year for Siam. The world

¹²⁸ K.Kh.0301.1.28/10. N.A. Meetings of the Board of Commercial Development. Opinion by the Financial Adviser, 18 June 1923.

¹²⁹ Ibid.

depression was the most important factor. However, there was already a trade slump during the late 1920's. Total trade had decreased from a peak in 1927-28.¹³⁰ But the annual report, 1931, of the British Foreign Office started:

In a year of world-wide financial and economic depression Siam can, at any rate, claim to have fared better than many more advanced and enlightened countries. The scarcity of population, if nothing else, has saved her from widespread unemployment. There have been no popular disturbances, no catastrophes of nature, and the Siamese peasant, with his easy-going, contented temperament, his modest needs and simple tastes, has, at least, had as much to eat as in previous years. Those who have felt most the effects of world conditions in Siam are the foreign element, the Chinese and the European, and, in a lesser degree, the Siamese official class, particularly in the capital.¹³¹

In 1927-28, foreign trade reached a peak at 477,349,898 baht; the next year, it fell to 442,265,290 baht, and, in 1929-30, to 426,485,971 baht. When the world depression hit Siam in 1930, foreign trade in 1930-31 fell to 316,527,778 baht, and in the next year, reached its lowest at 234,115,677 baht. Compared with the peak in 1927-28, the total value of trade had fallen 51 per cent.¹³² Rice export values had decreased 61 per cent in the four years from the peak in 1927-28.¹³³ Volumes reached a peak in 1927-28, and fell 40 percent to their lowest in 1930-31. However, volume increased 29.7 percent in 1931-32,¹³⁴ meaning that Siamese farmers were forced to export more rice because of the sharp fall in price.

One of the reasons for this long-term slump in the rice trade was the fall in the reputation of Siamese rice in foreign markets. There was a dispute over this issue between rice-mill owners and foreign merchants in Bangkok in December 1928. The dispute was that foreign merchants suffered serious

¹³⁰ Total trade value in 1928-29 fell 7.35 %, and 3.6 % the following year. Exports in 1928-29 declined 8.6 %, and 13 % the following year. However, import value fell 5.6 %, and increased 8.9 % in 1929-30. Imports in the 1920's reached a peak in 1929-30. These figures are calculated from *Thailand Statistical Year Book 2474-75*.

¹³¹ Dormer to FO No. 7, enclosing Annual Report for 1931, 5 January 1932, F1078/1078/40, FO 371/16260, PRO, p.1.

¹³² Exports in 1931-32 were 48.6 % of the peak in 1927-28, and imports, 49.7 %.

¹³³ Export value per quantity of all rice and paddy declined seriously from 1929-30 to 1931-32: 7.37 baht per picul in 1929-30 dropped to 6.02 the following year, and to 3.49 in 1931-32. Calculated from *Thailand Statistical Year Book 2472-73 and 2474-75*.

¹³⁴ Ibid.

losses because Siamese rice was found to be deficient in terms of both quality and weight. The merchants proposed delivering rice into their godowns before it was shipped, in order to check weight and quality. *The Record*, published by the Board of Commercial Development, examined this problem.¹³⁵

Before the war garden rice and field rice were always quoted separately on the London market, and Siam garden No.1 represented a very high quality of Siam garden rice. Nowadays both quantities are freely mixed by padi dealers in their boats before being delivered to the mills, and no such separate quotations are now obtainable.¹³⁶

New standards like Super (up to 5% broken), Special (up to 15% broken) seemed to be different from the old standards: 'garden No.1, which now represents 25% to 30% broken, is only a shadow of its former self. It is stated that the Special of today is not so good as garden No.1 of even five years ago.'¹³⁷ However, the Ministry of Lands and Agriculture's examination of rice showed no deterioration of quality, but minimising mixing was very important. *The Record* pointed out that:

At present practically all the export rice is brought down to the Bangkok mills in the form of padi, and there is therefore nothing to prevent the dealers from mixing the grain from different provinces in their boats before delivery. But if the padi could be bought by the exporter in the district of its growth and milled there before being brought down to Bangkok, the possibility of mixing the different grains would be obviated, and it would be possible to quote garden rice and field rice separately once again.¹³⁸

More steps to promote agriculture and commerce were tried in the 1930s than in the 1920's. In 1926 the Ministry of Commerce was amalgamated with the Ministry of Communications and the Board of Commercial Development. In 1931 the Department of Agriculture was transferred and combined with the Botanical Section of the Ministry of Commerce and Communications to form the Department of Agricultural

¹³⁵ Ministry of Commerce, The Board of Commercial Development, 'The Present Position of the Rice Trade of Siam', *The Record*, No.34, July 1929.

¹³⁶ Ibid, p.233.

¹³⁷ Ibid, p.233.

¹³⁸ Ibid. p.234.

Research. It was also in that year that a report by Zimmerman was published. This report recommended that the Siamese government diversify into cotton, tobacco and peanuts. Zimmerman argued for the importance of education by agricultural demonstration, and for the creation of an agricultural junior college. A Department of Agricultural Research was created in 1931.

The severe economic and financial situation forced the government to take action. The King's letter to Krom Phra Kamphengphet, dated 15 March 1931, indicates the need to cope with a critical condition.¹³⁹ The King suggested that the Board of Commercial Development engage in agricultural and aquatic research, in order to cope with the decline in rice exports. Chao Phraya Phichaiyat, Acting President of the Board of Commercial Development, decided to invite six outsiders to consider this matter. The background to this committee was quite different from that of the Board of Commercial Development in 1920. The establishment of the Board of Commercial Development in 1920 was driven by political factors more than economic, in that the King aimed to decrease Prince Chanthaburi's power.¹⁴⁰ However, in 1931, the establishment of the Committee showed more positive economic concerns. The Committee consisted of six officials and six non-officials, appointed for a period of two years. The non-officials included representatives of the farmers, the rice millers, shipping, the International Chamber of Commerce and the Chinese Chamber of Commerce. Prince Sithiporn, H. Christiansen, Phraya Indhadhipati and Luang Ambhil Bhitax Ketra were the non-officials.¹⁴¹ At the first meeting of this Committee, on 27 April 1931, the scope of its work was discussed.¹⁴²

139 R.7. Ph.7/2. N.A.

140 See PhD thesis, Stephen L.W. Greene, 'Thai Government and Administration in the Reign of Rama VI (1910-1925)', University of London, June 1971, p.319.

141 R.7. Ph.7/2. N.A. This document did not specify the positions of these persons.

142 K.Kh. 0301.1.28/18. N.A. pp.1-6.

The main issues were commercial matters, as well as agriculture, protection of aquatic resources, and irrigation.

A further step was to create the Department of Commercial Intelligence. Virginia Thompson noted several reasons for the trade slump:

Far Eastern markets were closing to Siam; Java, then Japan, and finally China and Malaya were placing taxes on Siam's rice. Siamese trade was left to look after its own interests, while competitors, because of their colonial status, enjoyed protected markets in Europe. The depression was teaching Siam that all her emphasis on expansion of production was unavailing without the assurance of markets.¹⁴³

A document, *Raigan Prachum Aphirathamontri Khlangthi 29/2473*, explained the need to establish the Department of Commercial Intelligence, relying on the ideas of Krom Phra Kamphengphet.¹⁴⁴

The government should help to look for market and trader, should improve products not only rice but others. Two countries in which the government was closely involved in the conduct of trade were Russia and Japan. It is necessary for us to establish the Department of Commercial Intelligence as soon as possible.¹⁴⁵

According to the proposal, the Director and Assistant Director would be foreigners - to find Siamese commercial experts would be difficult. The Department would consist of external and internal branches. The external branch would consist of commercial attachés and trade commissioners. For the present, two branches were suggested, in Hong Kong and Singapore. The Hong Kong office would cover China, Japan (including Korea and Formosa) and the Philippines. The Singapore office would cover Malaya, Java and Sumatra. It was natural to have offices in these countries because they had been the main Siamese trade ports for a long time. Later a commercial attaché for Europe, in Germany at Hamburg or Bremen, would be considered. Germany was chosen because it had no colonies, and would be less discriminatory regarding tariffs. The duty of the trade commissioner would be to keep an eye on movements of markets, and for new openings

¹⁴³ Virginia Thompson, *Thailand: The New Siam*, 1967, 2nd ed, New York: Macmillan, p.434.

¹⁴⁴ R.7 Ph.8/8. N.A.

¹⁴⁵ Ibid.

for Siamese trade.

On the other hand, the internal branch would be in charge of collecting domestic market information. In addition, a propaganda bureau would diffuse knowledge of Siamese products abroad. The internal branch was divided into four divisions; north, south, northeast and central, and one chief agent and two assistants would be stationed in each division.¹⁴⁶ Their duty would be to supply the Department with regular information on the supply and prices of all commodities in their district.¹⁴⁷

The document, *Raigan Senabodi Saphathi 35/2473*, 26 January 2473, shows support from the Minister of Finance for the establishment of the Department. The document makes three points; it was necessary to find suitable export products, and this information should be kept in tabulated form. Second, the person who was in charge of this scheme should have experience as a civil servant. Third, it was a justified spending of public money, because it should secure good results. Mr. H. Christiansen was appointed Principal Trade Commissioner. The National Archives documents do not explain why this Danish trade expert was chosen. It appears that the Siamese government tried to create a balance among foreign advisers. The British had dominated the position of Financial Adviser since 1896, and the Americans the position of adviser to the Ministry of Foreign Affairs.

The Foreign Office annual report 1931 summarised the establishment of the Department and appointment of Christiansen as follows:

Another new Department, also in the Ministry of Commerce and Communications, was created in April, namely, the Department of Commercial Intelligence, with the object of discovering markets for Siamese produce. Its head, with the title of Principal State Commissioner, is a Dane, M. Christiansen, formerly manager of the Bangkok branch of the East Asiatic Company, whose services have been loaned to the Siamese Government for a period of three years. M. Christiansen took up his appointment in July after a brief visit to Europe,

¹⁴⁶ *ibid.* The centre of the 4 divisions, north, south, northeast, and central are Lampang, Tung Song or Haad Yai, Korat and Bangkok. See details in 'Proposals for the Establishment of a Commercial Intelligence Department'.

¹⁴⁷ *ibid.*

during the course of which it was said that he had been requested to find a suitable man to be appointed Siamese Trade Commissioner at Hamburg, an important market for Siamese rice. Later on Trade Commissioners were to be appointed to Singapore and Hong Kong. Up to the time of writing none of these appointments had been made. However, this is probably due to the financial stringency, and there is no reason to think that the idea has been abandoned.¹⁴⁸

The appointment of Christiansen raises a number of points. The relationship between the East Asiatic Company and his position as Principal Trade Commissioner may have increased Danish influence over Siamese trade policy. A British diplomat expressed caution:

The East Asiatic Company have strengthened their position greatly through the appointment of M. Christiansen, their managing director in Siam, as Principal Trade Commissioner and Director-General of the new Commercial Intelligence Bureau. British and American competitors were in this field, but it must be admitted that M. Christiansen's qualifications are exceptional.¹⁴⁹

The East Asiatic Company had played an important role in trade in Siam. It had been established by a Dane, H.N. Andersen, in 1897. As the captain of the King's ship, he carried Thai teak to England in 1882 and made a huge profit.¹⁵⁰ The East Asiatic Company was engaged in various businesses; shipping, general agents, insurance, rice mill, saw mill, and export and import.¹⁵¹ It is worth noting that the Danes were a substantial European community in Siam at the beginning of the twentieth century: 'the Danes constituted the second largest group of Westerners, 80, after the British, 250, at the change of the century. Altogether 700 to 800 Europeans were at that time living in Thailand, mostly in Bangkok.'¹⁵² The development of the East Asiatic Company was built on the special personal relationship between H.N. Andersen and the Royal Family. Members of the Royal Family

¹⁴⁸ Dormer to FO No. 7, enclosing Annual Report for 1931, 5 January 1932, F1078/1078/40, FO 371/16260, PRO, p.4.

¹⁴⁹ Ibid., p.9.

¹⁵⁰ The Royal Danish Ministry of Education, *Thai-Danish Relations: 30 Cycles of Friendship*, Bangkok: Pigkanes Press, 1980, p.147.

¹⁵¹ Ibid., pp.147-159.

¹⁵² Ibid., p.147.

held shares in this company, and the East Asiatic Company provided a ship for them to travel abroad. The influence of this company can also be found in various business contracts from the Siamese government. For example, there was severe competition between the British Peninsular and Oriental Steamship Company and the East Asiatic Company in bidding for the shipment of silver to England in 1931.

Second, Christiansen was considered a very competent merchant by the foreign and Siamese communities. One of his main business activities in the East Asiatic Company involved attempts to buy paddy directly from the peasants. James Ingram:

This was in 1931-32 when the East Asiatic Company (Danish) began to buy paddy directly from growers and to make advances to them at 10 percent interest on the security of mortgages. An elaborate system of organization was developed, but violent objections in some sectors of the government ended in abandonment of the project. The government was willing to see Chinese middlemen and moneylenders replaced, but not by other foreigners. The chief fear was that foreign companies would obtain possession of large amounts of riceland through foreclosure. The scheme was also opposed on the ground that it competed with the co-operative movement and might destroy it.¹⁵³

A counter - argument can be found in the Royal Danish Ministry of Education book:

The company had no interest in destroying the middlemen as the relationship was good. The then manager of the Bangkok branch, Hakon Christiansen, may have been influenced by the Danish co-operative movement. He may also have suggested such ideas when he was on leave from the company to work as an advisor to the Ministry of Commerce, but when Virginia Thompson (p.383) claims that he was the man behind the government's plan to eliminate the middlemen, it is simply not true (conversations, Copenhagen, September 1978).¹⁵⁴

When Christiansen resigned as Principal Trade Commissioner in December 1932, the *Bangkok Daily Mail* carried a friendly article, although the paper was well known for its critical and cynical comments on politics. The writer admitted the capability and sincerity of Christiansen, and pointed out his

¹⁵³ J. C. Ingram, *Economic Change in Thailand 1850-1970*, Stanford: Stanford University Press, 1971, p.73.

¹⁵⁴ The Royal Danish Ministry of Education, *Thai-Danish Relations: 30 Cycles of Friendship*, Bangkok: Pigkanes Press, 1980, pp.156-7.

difficulties in coming to the government from the largest firm in Bangkok.

The fact remains, however, that the Government was unable to take full advantage of the talents and the energy of Mr. Christiansen. And we do not know but this fact proves that Mr. Christiansen's position in the Government has been impossible from the start. In other words, it may be that it set a precedent which should be avoided in the future. Siam always needs the service of good men, and, as we have said, we know of no better one than Mr. Christiansen for the task originally delegated to him, but it may be that we have learned that the precedent of taking such a man from the staff of a local commercial organization is not a good precedent. It makes the task of such a man difficult in the future. It is not fair to him and it is not fair to the Government.¹⁵⁵

It is important to note that Christiansen submitted his economic plan in December 1932.¹⁵⁶

Third, the role of Christiansen in the financial crisis brought about by Britain going off gold on 21 September 1931 should be mentioned. There were severe arguments whether Siam should remain on the gold standard or not.¹⁵⁷ The whole of Siam's currency reserve was held in sterling in London, and the Government had other sterling holdings there. A Foreign Office document argued that:

In view of the fact the country's financial business and external trade are conducted on a sterling basis, it was to be expected that the tical would follow sterling, but, nevertheless, the Government decided, with the advice of their financial adviser, to remain on the gold standard. To have followed sterling would have opened the door, in Mr. Hall- Patch's opinion, to uncontrolled inflation, besides rendering the budgetary position hopeless. The Banks, on the other hand, were strongly opposed to the Government decision, on the grounds that it would penalise exports and involve losses on forward contracts besides causing a serious exchange loss to themselves.¹⁵⁸

The reasons why the Financial Adviser strongly opposed abandonment of the gold standard was explained in several Foreign Office documents.¹⁵⁹ Hall -Patch saw the beneficiaries of leaving gold as follows; (1) the exporter

¹⁵⁵ Department of Overseas Trade to FO No. 130, 5 December 1932, F456/456/40, FO371/17177, PRO. Abstract from the *Bangkok Daily Mail* 2 December 1932.

¹⁵⁶ *Bangkok Times Weekly Mail*, 1 December 1932, p.24.

¹⁵⁷ Benjamin A. Batson, *The End of the Absolute Monarchy in Siam*, Singapore: Oxford University Press, 1987. See Chapter VII, 'The Economic Crisis'.

¹⁵⁸ Dormer to FO No. 7, enclosing Annual Report for 1931, 5 January 1932, F1078/1078/40, FO 371/16260, PRO, p.14.

¹⁵⁹ Dormer to Orde, No. 69/8/31, 14 November 1931, F7529/9/40, FO371/15531, PRO.

(either European or Chinese); (2) the banks (mostly foreign); (3) rice miller (European or Chinese); (5) the producer.¹⁶⁰ 'The producer, who is the most important element, is Siamese and he will receive, in existing conditions, the smaller share of the profits.'¹⁶¹ He also pointed out that most of the profits from the rise in import prices from gold standard countries would go into foreign hands. He compared the position of Siam with that of countries who had abandoned the gold standard, and suggested that those countries (a) had a heavy internal debt; (b) were highly industrialised; (c) had a central bank and an organised money market; (d) were equipped with an elastic fiscal system.¹⁶² He pointed out the danger of raising external loans with devaluation. He suggested not devaluation but a comprehensive plan covering budgetary equilibrium. Adaptation of the fiscal system, so as not to weigh too heavily on the producer but with a large element of elasticity, would be necessary to meet the needs and vicissitudes of an agricultural country. In addition provision of funds for the normal development of the country, provision of funds to finance such agencies and activities as may be necessary for Siamese products to compete successfully in the world's markets.¹⁶³

On the other hand, Le May, Adviser to the Ministry of Commerce and Communications, had a quite different view. Le May's memorandum included two vital questions: 1. must Siam's currency be eventually linked with Sterling again?; 2. is there justification for believing in the economic and financial recovery of Great Britain in the near future, and her ability to maintain the value of her currency?¹⁶⁴ His answer to both questions was yes. His arguments focused on two problems; the Foreign Debt Redemption

160 Ibid.

161 Ibid.

162 Ibid.

163 Ibid.

164 Johns to FO No. 70, 21 March 1932, F3700/200/40, FO371/16259, PRO.

Fund, and the baht exchange. Regarding the Debt Redemption Fund, he thought that it should be kept in the future in London in sterling securities, because the debt was a sterling, not a gold one. Concerning the baht exchange, Le May argued that some devaluation against sterling would be inevitable. He had fear of a high value for the baht:

This country depends almost entirely on the cultivation of rice for commercial purposes; and the greatest danger is that, if the peasant can see no hope of profit, he will cease to plant rice for those purposes, and then good-bye to budget, currency, and credit.¹⁶⁵

In November and December 1931, the debate over economic policy was carried out between the Ministry of Finance and Hall - Patch, and Prince Purachatra, the Minister of Commerce and Communications. Batson notes:

On 12 November the Ministry of Commerce and Communications replied with a memorandum by H. Christiansen, the Principal Trade Commissioner, which, while not recommending an immediate devaluation, disagreed with many of Hall-Patch's conclusions and warned that if the high value of the baht undermined Siam's foreign trade there might be a disastrous fall in the government's tax revenues.¹⁶⁶

In spite of the major objections of the Supreme Council, Hall-Patch succeeded in persuading the king not to devalue against sterling on 13 November.

4.12. Foreigners' Economic Ideas and Economic Policy

Foreigners had contributed to Siam's society in various fields, such as education, medicine, the press, the bureaucracy, government political and economic policies.

The total number of foreign officials in Siam had fallen from 187 in 1920 to 58 in 1939 (see Table 4-3). One of the reasons for this decline was that the economic depression in the early 1930's forced the government to

¹⁶⁵ Ibid.

¹⁶⁶ Benjamin A. Batson, *The End of the Absolute Monarchy in Siam*, Singapore: Oxford University Press, 1987, p.190.

cut expensive foreign officials. Among foreign officials, British dominated. For example, British accounted for 107 of the 187 in 1920, and 22 out of the 58 in 1939.

In 1920 British advisers outnumbered those of all other nationality: the British and the Danes oversaw the police; the British and the French dominated the legal system; the British, French, and Italians executed public works; the British administered the airport and advised on mining and customs. Significantly, the British succeeded in monopolizing the important position of Financial Adviser between 1904-41 and 1945-51. The only other adviser enjoying similar prestige was the Foreign Affairs Adviser, a post consistently occupied by an American due to the limited nature of American colonial interests in South-East Asia.¹⁶⁷

In addition, most of the 9 Americans worked for the Ministry of Public Instruction as academic staff at Chulalongkorn University.¹⁶⁸ The Foreign Office Annual Report in 1926 illustrated British influence in Siam as follows:

There is more British than any other foreign capital in the country; the British firms operating here have been established longer than any other except the Danish, and their operations are on a larger scale; the bulk of the foreign trade is in British hands; for the greater part of Siam's land frontiers marches with British territories; some 50,000 British Asiatic subjects live in Siam. It is to British universities that most of the students go whom the Government sends abroad for Western technical training, and most of the Siamese princes have, since King Chulalongkorn began the practice of sending his sons there, been educated at English public schools and at Cambridge or Oxford. The result is that there are few Siamese of position, at any rate in Bangkok, who cannot speak English; those who have not been to Europe have been taught it here as children; it is the first foreign language taken up by the great majority of the boys in the Government schools in Bangkok, and is generally recognised as the language of business and official transactions. It is true that, just as there is a tendency to look more and more to the United States for foreign advisers, so there is a tendency to send more students for training to the United States or France. But the British connection is still strong. As will have been seen above, half the foreign advisers and experts in Siamese Government employ are still British; and it is not likely that, so long as London remains the financial centre of the world, the key post of financial adviser will be given to any but a British subject.¹⁶⁹

The Foreign Office saw five positions as key posts; political adviser (then

¹⁶⁷ Richard J. Aldrich, *The key to the South: Britain, the United States, and Thailand during the Approach of the Pacific War, 1929-1942*, Kuala Lumpur: Oxford University Press, 1993, p.49.

¹⁶⁸ Waterlow to FO No. 17, 21 January 1927, F1889/1889/40, FO371/12535, PRO.

¹⁶⁹ Waterlow to FO No. 39, enclosing Annual Report for 1926, 22 February 1927, F2874/2874/40, FO371/12535, PRO.

American); financial adviser (then British); chief judicial adviser (then British); chief marine surveyor (then Danish); and assistant Director-General of Posts and Telegraphs (then Danish).¹⁷⁰ With respect to economic policy in the early 1930's, the financial adviser, the adviser to the Ministry of Foreign Affairs, and the adviser to the Ministry of Commerce and Communications were crucial.¹⁷¹ The detailed number of foreign advisers in each Ministry is shown on Table 4-4.

Besides foreign advisers, European merchants also played an important role. In this section, two European economic proposals, those of J.E. England (British merchant) and H. Christiansen (the Principal Trade Commissioner) will be discussed. These economic ideas were submitted to the government after the constitutional revolution in 1932. It is important to note that not only foreign officials but also foreign merchants expressed their economic ideas to the government. In addition, an economic plan was presented by Christiansen.

J.E. England's document can be found in the National Archives.¹⁷² He submitted it to Phraya Manopakorn Nitthithada on 3 August 1932. J.E. England had been in Siam for over twelve years, and was engaged in the Siam rice trade for more than nine years.¹⁷³ He supported nationalism in the rice trade, in spite of being a foreigner. To put it another way, he encouraged Siamese to engage in this business and blamed the Chinese for their exploitation of Siamese farmers. His idea was quite similar to that of Mangkorn Samsen. Secondly, he attacked the government silo scheme, and suggested the establishment of a Siamese company which would deal with the rice trade, including not only cultivation and milling but also

¹⁷⁰ Ibid.

¹⁷¹ See, chapter VII, 'The Economic Crisis', in Benjamin A. Batson, *The End of the Absolute Monarchy in Siam*, Singapore: Oxford University Press, 1984, pp.187-235.

¹⁷² K.Kh.0301.1.37/65. N.A.

¹⁷³ Ibid. The life and detailed business activities of England are not considered here.

transportation, and internal and external commerce. His idea, repeated in several Siamese economic plans, came to fruition in the establishment of the Thai Rice Co. in 1938.¹⁷⁴

In an introduction, he argued:

What is well known is that the Siamese do not handle their own Country's commodities, of which Rice is the main article, but it is not until a period of depression such as being experienced at present arrives that it is fully realized that however well the foreign exporters may have conducted the business in the past, and however much they may have assisted the Country by their business, their main object has always been to make as much money out of the Country's commodities as possible. In fact it has been in their interest not to cultivate the business instinct in the Siamese people. There is of course no doubt that the general aristocratic principles of the Siamese opposed to business generally has greatly assisted the foreign merchants in their activities.¹⁷⁵

He classified foreign exporters in Siam into Chinese, Europeans, Japanese and Indians. He attacked the Chinese. Chinese penetration of internal trade had expelled Siamese from the transportation of paddy, and Chinese middleman had exploited farmers and rice millers with high interest rates. He thought that the government policy of introducing co-operatives had not been successful. He suggested that farmers should know more about the cost and selling price of rice.

The object here is to stop the Farmers having to pay exorbitant rates of interest so that the Paddy may come onto the market at the lowest possible cost of production, and here I may mention that the Farmers and most people in Siam are not aware of the actual relation between the cost of production of Paddy and the selling price of rice. I think this relation should be known, and an increased knowledge by the Farmer of the marketing of his crop should provide a stimulus to his activity.¹⁷⁶

The Chinese also dominated the rice milling business. However, England thought that Siamese would be able to enter this business: 'I do not see it necessary that rice-milling should be almost a monopoly of the Chinese in Siam. After all, it is only a question of management.'¹⁷⁷ England gave the

¹⁷⁴ Although there is no evidence that the establishment of the Thai Rice Co. in 1938 was influenced by England's suggestion.

¹⁷⁵ K.Kh.0301.1.37/65. N.A.

¹⁷⁶ Ibid.

¹⁷⁷ Ibid.

example of Mangkorn's success in rice milling. England was concerned about Siamese rice millers exporting to the Chinese market through Chinese agents in Hong Kong and Singapore under a consignment basis.¹⁷⁸ He gave the example of Mangkorn: 'Nai Mangkorn could no doubt also give reliable information in this connection.'¹⁷⁹ In other words, England believed that the Siamese could monopolise the rice trade.

The Chinese are now attempting to enter the Western markets, and I think it is only the lack of organizing capacity and mutual distrust of each other that is preventing the Chinese from eliminating the non-milling European rice merchants altogether. If they could overcome these faults, this elimination would, I think, be only a matter of a few years.¹⁸⁰

But England considered the Siamese to be as efficient as the Chinese: 'I have no doubt that the Siamese could monopolize this trade just as effectively as the Chinese might be able to do, provided they were effectively organized.'¹⁸¹

England pointed out that European traders simply bought from rice millers and sold to buyers in Europe and elsewhere in large quantity and with a margin of profit. He raised the question, why did Siamese not enter this trade? The fall in quality of Siamese rice in European markets, for example in 1926, should be eliminated.¹⁸² The problem was that European merchants could not maintain standards because of price competition. Furthermore, they were relying on the Chinese rice millers. England noted the attempts of the East Asiatic Co. to run rice mills and to purchase rice directly from the farmers. Concerning the Indians, he said;

A few Indian merchants conduct business with Java, and this business has no doubt

¹⁷⁸ Ibid. England explained: 'the bulk of this trade is done on what amounts to a consignment basis, i.e. the Rice is shipped to the Chinese Agents at Hong Kong or Singapore, and although these Agents may be prepared to advance the money against the shipments, the actual amount available from the sale of the rice is not due to the consignee until after the rice is sold.'

¹⁷⁹ Ibid.

¹⁸⁰ Ibid.

¹⁸¹ Ibid.

¹⁸² Ibid. England wrote on the alleged deterioration of Siamese rice to the Department of Overseas Trade in London in October 1926.

been brought about by the big differences between the Banks' buying and selling rates. Indians in Siam are the principal importers of Sugar and Molasses from Java, and they sell Rice to Java to pay for the sugar, etc. thus doing away with the margin in the Bank's rates of exchange.¹⁸³

He summarised his nine points;

- (1) the trade in the productions of Siam should be diverted into the hands of Siamese as much as possible;
- (2) transport of the Paddy from farm to mill should be re-diverted to the Siamese;
- (3) the Farmers should be protected against exorbitant rates of interest;
- (4) paddy of the highest quality should be produced at the cheapest possible price;
- (5) the Farmers should have a knowledge of the actual marketable value of his produce;
- (6) the Farmer should feel some of the benefit of a rise in market prices;
- (7) there is no reason to suppose that the Siamese cannot successfully operate rice mills;
- (8) there is no reason to suppose that the Siamese cannot establish efficient connections in those centres now operated by Chinese;
- (9) there is every reason to believe that the Siamese could operate successfully in the Europe, Cuba, Java, Japan, India, and South African markets.¹⁸⁴

These are quite similar ideas to those of Mangkorn Samsen who advocated positive Siamese engagement in business. England believed that from the beginning, Siamese would be able to operate about 30 % of rice exports.¹⁸⁵

In the depression, he saw that special factors, such as the monetary situation, were responsible for sharp decreases in consumption. For example, China had famine in spite of sufficient rice, and Russia had starvation, despite abundant Russian wheat in the international market.¹⁸⁶ England doubted the value of the scheme by Christiansen, the Principal Trade Commissioner, for a silo company. He wondered whether building 10 silos would bring benefit to farmers. He pointed out the small capacity of silos. 'The scheme makes no effort at co-operation between the Farmers and the Rice Millers and the Rice Market. In fact, the tendency would be to play into the hands of any one rice mill with a capacity of about 30,000 Tons a

¹⁸³ Ibid.

¹⁸⁴ Ibid.

¹⁸⁵ Ibid.

¹⁸⁶ Ibid. He said: 'It may perhaps be called a phenomenon of the relation between the actual agricultural cultivation and market prices of saleable produce that decrease in cultivation is co-ordinate with, and not a subsequence of, low prices; while an increase in cultivation is co-ordinate with, and not a subsequence of, high prices.'

year.¹⁸⁷ He added:

the Silo scheme becomes an unnecessary spending of money without co-ordinating the trade, and surely the middleman could be eliminated without the building of Silos. When the trade has been co-ordinated it might then be the time for reconsidering the question of building Silos.¹⁸⁸

His proposal was to establish a company which would deal with the rice trade including cultivation, selling and buying, transport, milling, export, buying and selling gunnies, and the shipping business. His proposal was different from that of Boriphanyutthakit, Minister of Economic Affairs in 1938. England did not aim to create a state enterprise but a small private company which would be financed by subscribers and farmers. England's idea was similar to that of Mangkorn. For example, there was no mention of inviting directors from the government.

In his proposal, the land for paddy cultivation would, at first, be 400,000 rai. He did not explain how this figure was calculated. He pointed out several difficulties, such as farmers' participation, security of loans to farmers, and quality of rice. He argued that finding a number of suitable and capable farmers was crucial. 'I believe that it is possible to obtain land-owning Siamese farmers with the capabilities required to oversee at least 40,000 Rai each, provided, of course that the farms comprising the larger area were in the same district.'¹⁸⁹

H. Christiansen's role as Principal Trade Commissioner has already been examined. It is important to note that he submitted an economic programme, reported in the local press, *Thai Mai*.¹⁹⁰ However, this is only an outline of the plan. The date he submitted the plan is not clear, but it seems to be before 1 December 1932, when he resigned as Principal Trade

187 *Ibid.*

188 *Ibid.*

189 *Ibid.*

190 *Thai Mai*, 30 August 1933

Commissioner.¹⁹¹ The *Bangkok Times Weekly Mail* noted:

he has prepared definite plans that shall be of much practical value in developing the vast possibilities of the country to the benefit of the Siamese people. Such development is essential, and we have every confidence that the first Principal Trade Commissioner has done enough to give it a good start.¹⁹²

Christiansen argued that:

The methods of the Siamese farmer remain much the same as they have been for ages, so that the cultivator's present precarious position is not due to any shortcomings in this respect compared with previous years. The main reason for the drop in his income is the catastrophic fall in the price of rice, as of all other cereals, in the world market. Our system of production has been too inelastic to meet the changed market conditions.¹⁹³

He outlined the measures to be taken:

(1) Facilities for the farmer to obtain credit at a reasonable rate of interest; (2) direct communication for the farmers with the Bangkok market, on the lines started on a small scale by private enterprise, and proposed to be taken up by the Government through the Silo scheme; and (3) the establishment of fixed standard qualities of paddy and rice.¹⁹⁴

He also suggested improving cultivation methods, including seed selection, and cultivating crops other than rice.

The minor plans examined in this chapter have several important points. According to the plans of Mano and Komarakun, it was clear that even the conservative groups acknowledged the necessity for state intervention in the economy. That main stream of economic policy was shared among the Siamese elites, the radical group of Pridi and Phra Sarasas, and the conservative group of Mano and Komarakun.

Second, middle class participation in discussion of economic issues is clear. That class was aware that the economic crisis originated with the world depression and suggested several ways to cope with it. Among their ideas, economic nationalism, whether anti-Chinese or anti-foreigner, was rife. Import -substitution was advocated by both the Siamese elite and the

¹⁹¹ *Bangkok Times Weekly Mail*, 1 December 1932.

¹⁹² Ibid.

¹⁹³ Ibid.

¹⁹⁴ Ibid.

middle class.

Third, many similar plans or suggestions appeared after 1932. For example, Boriphanyutthakit's plan for the rice mill in 1938 emerged from the Mangkorn Samsen, Chote Khumphan, and J. E. England plans soon after 1932. The basic idea to protect for the Siamese farmer from the Chinese middlemen and Chinese rice millers was similar to that of Boriphanyutthakit.

Last, the role of foreigners was also important. The foreign advisers' involvement in the discussion of economic plans showed that they opposed the plans which would damage their own interests.

Table 4-1 Numbers of petitions and suggestions 1932-1939	
Year	Number
1932	450
1932/33	26
1933	238
1933/34	5
1933/35	2
1934	25
1934/35	2
1935	24
1936	6
1936/37	1
1936/39	1
1937	2
1938	4
1938/39	2
1939	15
1939/40	1
Total	804
(Source) S.R.0201.25. N.A.	

Table 4-2. Main contents of 130 economic suggestions									
Content	Number	Document number							
Agriculture	20	102, 113, 196.	210,236,243.	257,275,295.	418,428,481.	487,515,518.	540,622,705.	706,716.	
Economic Problem	19	42,83,174,177	296,308,323.	386,437,495.	504,528,541.	549,579,639.	673,703,707.		
Finance	12	52,85,105,181	406,442,472.	514,606,686.	688,697.				
Government	12	244,321,376.	447,453,479.	484,523,536.	672,698,715.				
Economic Development	9	89,122,173.	200,291,292.	317,459,718.					
Tax	8	9,90,404.	462,497,529.	621,695					
Others	8	115,211,279.	439,441,455.	460,638.					
Economic Nationalism	7	80,201,214.	413,414,415.	505					
rice, rice mill, rice marketing.	6	111,156,304.	484,588,699.						
Commerce	6	93,188,361	493,525,601.						
Manufacturing	6	155,178,202.	334,340,452.						
Law	5	402,405,529.	674,675.						
Labour, unemployment	4	112,153.	623,665.						
Ministries	3	172,462,471.							
Poverty	3	29,614,659.							
Debt	2	70,403.							
Document number 102, for example, means S.R.0201.25/102.									
Classification of content is based on the title of the documents.									
(Source) S.R.0201.25. N.A.									

Table 4-3 Foreign Officials in Thai Government Service, 1920, 1927, and 1939.

Date	1920*	1927**	1939***
Nationality			
American	7	12	5
British	107	64	22
Danish	21	8	3
Dutch	1	1	1
French	24	21	14
German	0	1	4
Italian	25	14	3
Japanese	0	0	?
Norwegians	1	1	1
Filipino	0	0	2
Portuguese	1	0	1
Swiss	0	1	1
Swedish	0	0	1
Others	0	1	0
Total	187	124	58

Others in 1927 was Belgian.

(Source) * and *** Richard J. Aldrich, *The Key to the during the Approach of the Pacific War, 1929-1942*, Kuala Lumpur: Oxford University Press, 1993, p.379.

** from Waterlow to FO, No. 17, 21 January 1927, F1889/1889/40, FO371/12535.

Table 4.4. Foreign Advisers by Ministry in 1927									
	The R H	Foreign Affairs Justice	Finance	Interior	C & C	(RSA)	L & A	P & I	
American		1			1			1	9
British	1		9	5	3	4	12	11	19
Danish					3		3	1	1
Dutch								1	
French			14		2			1	3
German							1		4
Italian	1				1		7	1	
Norwegians					1				
Swiss									
Others			1					1	
Total	2	1	24	5	11	4	23	17	37
Abbreviations of Ministries are:									
R H, Ministry of the Royal Household.									
C & C, Ministry of Commerce and Communications.									
(RSA), Royal State Railways. RSA belongs to Ministry of Commerce and Communications.									
L & A, Ministry of Lands and Agriculture.									
P & I, Ministry of Public Instruction.									
(Source) From Waterlow to FO, No. 17, 21 January 1927, F1889/1889/40, F0371/12535.									

Background and Summary of Economic Plans, and Analysis of Economic Nationalism

5.1. Introduction

This chapter aims to focus on the background to, and provide a summary of, the economic plans examined in Chapters 3 and 4, and to expand on the argument regarding economic nationalism in Siam. There are several points to be considered, what were the motivations of those who submitted these plans? Were they related to the principles in the manifesto of the People's Party, or to counter-measures to combat the impact of the world depression on Siam in the early 1930's? What were the main features of these plans? Were they based on capitalism, socialism, or communism? How did the author's educational background, including study overseas, influence their plans? What kind of foreign political and economic thought can be found in the plans? What were the main arguments between their Thai authors and the foreign advisers? Why did the government not respond to these plans positively and implement their ideas? Can it be said that these plans were mainly discussed not on an economic basis but as part of a political struggle against opponents of the People's Party?

But the main theme of this chapter is to trace the origins of economic nationalism in Thailand. There are many arguments about these origins. For example, Vella argued that King Vajiravudh started to develop nationalism.¹ Another popular view is that nationalism started under the Phibun government from 1939. Terwiel quoted Thak: 'A major political phenomenon

¹ Walter F. Vella, *Chaiyo! King Vajiravudh and the development of Thai nationalism*, Honolulu: University of Hawaii Press, 1978.

between 1939 and 1947 was the attempt to build nationalism in Thai society. Previously, such an attempt was undertaken during the reign of Rama VI...² Batson maintained that the growth of a nationalist movement can be traced back to 1936, with the influence of a nationalist-absolutist Japanese-inspired state ideology.³ Terwiel found the roots of nationalism in the 1920's and early 1930's. He pointed out that Luang Wichit Wathakan's article 'Bushido', published on 30 April 1933, indicated that Wichit had met Professor Inazo Nitobe in the mid-1920's.⁴ Terwiel notes:

Wichit writes on this topic with unreserved approval, paraphrasing Nitobe's work in calling his philosophy the *winyan* or 'soul' of Japan, that which strengthened Japan and made it into the vigorous and powerful country of that moment. The roots of the dictatorial period of Thai nationalism thus go back in the case of Luang Wichit to the 1920's, much earlier than most historians of Thailand lead us to believe.⁵

Terwiel also examined Chamrat Sarawisut's writings of 1934 and 1935.⁶ Terwiel thought much of his booklet *Nangsue rueang chat Thai* (A Book about the Thai Nation), which, consisting mostly of several authors' work, including Luang Wichit, whom he considered a good example of early Thai totalitarian writing.

What kind of approach is most valuable to trace the origins of specifically economic nationalism in Thailand? Should it be considered in the context of political nationalism? Moreover the origins of economic nationalism might vary, like the origins of political nationalism. Terwiel points out:

It has also been argued that historians of Thailand have tended to describe nationalism as being a feature of specific reigns and rulers, and that this practice appears to have had a detrimental effect on the study of Thai nationalism as a whole. The history of the various stages of an ideology such as Thai nationalism is not served by this 'on-off' approach. It is much better

2 B.J. Terwiel, 'Thai Nationalism and Identity: Popular Themes of the 1930s', Craig J. Reynolds, (ed), *National Identity and its Defenders: Thailand, 1939-1989*, Chiang Mai: Silkworm Books, 1993, p.134.

3 Ibid., p.135.

4 Ibid., p.135.

5 Ibid., p.135.

6 Ibid., pp.138-141.

studied as a phenomenon that, once arisen, moves, changes and develops as one of a range of competing ideologies.⁷

This approach will be used to analyse the origins of economic nationalism.

It was made clear in Chapters 3 and 4 that various social groups submitted economic plans. The post-1932 world made it possible for social groups which had been suppressed under the absolute monarchy to express their ideas on political, economic and social problems. Table 5-1 shows eight Siamese authors of economic plans. Their social and educational backgrounds are very diverse. Only Phra Komarakun belonged to the old regime. Most were commoners, two were promoters and half were educated at Law School.⁸

The People's Party and high-ranking officers of the old regime dominated the post-1932 parliament. Among the first seventy members, all were appointed by the new government; thirty-three were members of the People's Party and thirty-two were civil servants, most of them high-ranking officials of the old regime.⁹ The thirty-three members of the People's Party consisted of eight army and twenty-five civilian members.¹⁰ It is important to note that three merchants, Mangkorn Samsen, Manit Wasuwat and Sunchai Khutrakun, were chosen as representatives.¹¹

The emergence of the middle class was a new factor in the early 1930's. According to the Statistical Yearbook for 1929, 93,967 were employed as Professionals, 503,839 in commerce, 164,526 in Industry,

⁷ Ibid.p.144.

⁸ It is not clear whether Mangkorn Samsen graduated from Law School. His name was not found in the list of graduates of the school. However, in an interview with his youngest son, Sakrai in August 1995 he said that his father studied at the school.

⁹ Eiji Murashima, 'Democracy and the Development of Political Parties in Thailand 1932-1945', Eiji Murashima, Nakharin Mektrairat, Somkiat Wanthana, *The Making of Modern Thai Political Parties*, Tokyo: Institute of Developing Economics, 1991, p.4. Nakharin Mektrairat, *Kanpatiwat Sayam ph. s. 2475* (The 1932 Revolution in Siam), Bangkok: Mun nithi khrongkan tamura sangkhomsat lae manutsayasad, 1992, p.218.

¹⁰ Nakharin Mektrairat, *Kanpatiwat Sayam ph. s. 2475* (The 1932 Revolution in Siam), Bangkok: Mun nithi khrongkan tamura sangkhomsat lae manutsayasad, 1992, p.218.

¹¹ Ibid., p.218.

and 367,105 in the service sector. The total was 1,129,437 persons, 15% of the labour force. The definition of 'middle class' in Siam at that time is difficult. However Nakharin defines it as the people engaged in commerce, in finance, independent professions, in manufacturing industry, or persons investing in new forms of production.¹² He points out that clerks in trade or commerce houses, journalists and lawyers were important as the new middle class.¹³

In the commercial sector, the role of 'Phokha Thai' (Thai merchant) should be seen in the context of the economic policy of the new government after 1932. The idea of 'Phokha Thai' was to promote commerce, trade, and manufacturing industry, not by foreigners and Chinese but by Thai merchants. This idea was advocated by various figures, including Mangkorn Samsen, and led to the establishment of the Siamese Chamber of Commerce in 1933. The important point is that most 'Phokha Thai' were Chinese merchants with Thai hearts. In other words, their desire to adopt the 'Samai Mai' (New Age) and to promote Thai goods was different from that of the older generation of Chinese merchants, who originated as tax farmers and compradores. Nakharin argues that the middle class in Siam consisted of two groups; middle class merchants with an interest in the development of manufacturing industry, thinkers, writers and journalists who did not receive financial assistance from the government; and those who had been tax farmers, compradores, together with the new generation of Chinese rice merchants, who had received financial assistance from the government.¹⁴

Economic plans and ideas were submitted not only by the Siamese élite but also by the middle class. After the constitutional revolution the lower middle class were more inclined to express their ideas on politics, economic

12 Ibid., p.84.

13 Ibid., p.86.

14 Ibid., p.105.

problems, society and social problems. However, even before the revolution, for example in 1931, several lawyers raised the social problems of the farmers,¹⁵ and middle-class civil servants, lawyers, businessmen, clerks and farmers strongly expressed their ideas. These ideas and suggestions are found in the documents in the National Archives.¹⁶ These documents dating from 1932 to 1933 were discussed in the previous chapter. Nakharin explained the reasons for a decline in the number of documents from 1934: the revolution in response to the peoples' expectations had taken place to some extent, the government established a Division of Advertisement on 3 May 1933, thus bringing the peoples' voices to radio broadcasts, a filing system change kept files in each Ministry after 1933.¹⁷ The large numbers of documents in 1932 and 1933 shows the high middle class interest in the New Siam.

In these files can be found unique and interesting economic ideas. Sanga Caroenying submitted his views on economic issues to a member of the People's Party in September 1932.¹⁸ He suggested the establishment of rice mills to remove Chinese exploitation, requested a reduction in the forest tax so that farmers could make a living by cutting trees, support for Thais to engage in commerce and Thai support for Thai products. His first suggestion, explaining the necessity for Thai rice mills, focused on how the Chinese middlemen and Chinese rice mill owners exploited the Thai farmers in various ways, including forcing them to sell padi at the lowest price, or cheating when measuring the rice. He argued that the People's Party should set up 2 to 4 Thai rice mills, with the purpose of exporting to foreign

¹⁵ Nakharin Mektrairat, *Khwa mkhit khwa mru lae amnat kanmuang nai kanpatiwat Sayam 2475* (Thought, Knowledge and Political Power in the Siam Revolution of 1932), Bangkok: Sathaban Sayam suksa samakhom sangkhomsat heng prathed Thai, 1990, p.116.

¹⁶ See the file S.R.0201.25. N.A.

¹⁷ Nakharin Mektrairat, *Khwa mkhit khwa mru lae amnat kanmuang nai kanpatiwat Sayam 2475* (Thought, Knowledge and Political Power in the Siam Revolution of 1932), Bangkok: Sathaban Sayam suksa samakhom sangkhomsat heng prathed Thai, 1990, pp.114-5.

¹⁸ S.R.0201.25/111. N.A.

countries. He pointed out that Thai farmers were forced to sell padi to Chinese because few Thai engaged in rice milling. He stressed that Thais would be able to carry out every aspect of this business, using Thai labour and asking Thais to participate in providing capital. He proposed setting up a rice mill company, by collecting capital from Thai farmers.

Two further suggestions were to request a reduction in the taxation of farmers because of the deterioration in their condition during the years from 1932 to 1935, caused by falling prices. Farmers were looking for an opportunity to cut timber as an alternative living but the high forest tax made it difficult for them. He asked that this tax be cancelled or reduced. On the other hand, the tax on companies and big saw mills should be kept. However, small timber businesses should be helped. The last suggestion was to encourage Thais to engage in commerce. His basic idea was to ask Thais to purchase Thai products in Thai shops.

It is difficult to identify the author, by occupation, or educational and social background. He expressed a wish to join the People's Party, but he did not refer to his relationship with the Party. There are two aspects to be considered. First, his main theme was economic nationalism, and an anti-foreign, especially anti-Chinese, view was stressed. It is important to note that even the middle class expressed strong economic nationalism soon after the 1932 revolution. Second, the establishment of a Thai rice mill had been advocated by an ordinary person. Even though he lacked a detailed plan, his economic nationalism, his emphasis on the self-reliance of the Thai, was already common at this time. In other words, he wished to eliminate Chinese dominance of the rice business to avoid relying on the Chinese. This reminds us of the plan by Chote Khumpan in 1934.

The other document was submitted by Rien Phiuphum on 20 January 1933.¹⁹ One issue was to ask the Ministry of Commerce and

¹⁹ S.R.0201.25/89. N.A.

Communications to buy and sell products for the people throughout the country. A second was to set up a commerce and industry school. His idea was only briefly mentioned, so it is difficult to fathom his intention. His social background was briefly mentioned - he was 18 years old and lived in Khon Kaen, he was a graduate of junior high school.

Another proposal, to set up a 'Samakhom Bamrung Sinkha Thai,' was made by Thanim Laohawilai and Sawien Osathanukhrow. This had some impact, because a few Thai newspapers published articles on this issue. Their proposal was filed in the National Archives.²⁰ Thanim was a clerk in a store and Sawien was a policeman. Their document consisted of two parts. The first was a letter to Mano, the chairman of the People's Party executive committee, on 1 August 1932. In this letter they pointed out that although a few Thais engaged in commerce, dealing with high quality Thai products as well as imported goods, Thai products did not sell well like imported goods. The reason was lack of support from the people. The aim of this proposed association was to promote Thai products and industry. They stressed that this aim had nothing to do with government policy, the idea was based on self-reliance. The six aims of the association were: to encourage Thais to use Thai products, to make Thai products more well known, to support Thai products by raising their quality, to support the position of Thai manufacturers and Thai merchants, to introduce issues related to commerce and to develop industry. They asked permission to set up this association from the executive committee and the People's Party. They also asked the Party to send a representative to a future meeting to discuss plans and activities.

The second letter to Mano on 6 August 1932 by Thanim further explained the six aims of the association. The first aim, to encourage Thais to use Thai products, was explained by the need for self-reliance in Siam

²⁰ (2) S.R.0201.52/2. N.A.

because of the depression. Relying on imports, and with exports decreasing, the trade gap was widening. He suggested five reasons to support this first aim: (a) Thailand belonged to the Thai people; (b) if Thais had products to sell, Thais would be willing to buy them, money will stay in Thailand and will increase the Thai people's happiness; (c) if Thailand has industry, labour will have work; (d) having industry will make Thailand progress, Thais will use science - all these will improve the country; (e) having a large number of Thai manufacturers and Thai merchants will give choice. He suggested four concrete measures: (a) to invite all editors of newspapers to be honorary committee members of the association; (b) with the cooperation of the editors, to write articles for the newspapers about the association; (c) to educate teachers and students about nationalism and economic nationalism; (d) to expand the numbers of members.

The second aim, to make Thai products more well known would need advertising and salesmanship. The association would set up an advertising division to cultivate support for its purposes, and to help all members engaged in commerce with advertising, marketing, selecting statistics and searching for markets. The establishment of shops by the association and training of commercial students was also planned. The third aim, to support Thai products by raising their quality, would be achieved by setting up a Thai products improvement division. The fourth aim, to support the position of Thai manufacturers and Thai merchants, would be difficult to achieve without the association. He pointed out that Thai merchants were lacking in the following respects: they had little knowledge compared with foreigners of the manufacture and distribution of products, they had no interest in improving their knowledge of commerce and manufacturing and they had not had an opportunity to practice their commercial skills or even to read textbooks about commerce and finance. The association planned to publish a newspaper on

commerce, in order to spread news of Thai products and foreign commerce. The fifth aim was to be carried out by advertising and salesmanship. The last aim, to promote Thai industry, involved the association supporting Thai products and advertising Thai products: and it would be necessary for the Thai people to invest in industry.

Several points arise from this document. It was submitted not by a big commercial figure but by a mere shop clerk and a policeman. It is interesting that a common clerk has such strong views on economic nationalism. Their explanation of economic nationalism was quite simple, but their argument got to the heart of the matter. Even though they did not use the word 'Chinese', it would appear that their aim was to eliminate the Chinese and foreign merchants. Second, their idea to emphasize advertising and marketing was innovative in the Siam of the time. It can be assumed that his experience as a clerk caused them to stress the importance of commercial knowledge. Third, their idea to use the mass media, newspapers, was new, although some newspapers had already shown an interest in economic matters. Fourth, although their association shows some similarity to the Siamese Chamber of Commerce founded in 1933, it is not clear whether it was their intention to develop the association as a chamber of commerce. Lastly, it is important to note that their interest included not only commerce but also manufacturing industry, notably domestic industry.

Thai Mai responded to their views with an article about the association on 26 October 1932.²¹ It was in favour of the association, arguing that there would be no problem in securing capital. It suggested profit sharing among the members, similar to capital participation in a co-operative society.

The few examples above show that the middle class submitted economic ideas and suggestions based on economic nationalism. They were

²¹ *Thai Mai*, 26 October 1932.

not always constructive and practical. Even so, not only the Siamese élite but also ordinary people had expressed their ideas on economic issues.

5.2. The Establishment of the Siamese Chamber of Commerce

The establishment of the Siamese Chamber of Commerce in 1933 is now to be examined: why was it established? What kinds of Siamese merchant joined? Did the Chamber of Commerce have an influence on the government?

Lek Komet played an important role in establishing the Siamese Chamber of Commerce. Lek Komet was one of the few Thai merchants with a wide knowledge of commerce, foreign languages and foreign countries. He was just a graduate of a temple school, but studying English for four years with a native speaker gave him opportunities to work in foreign shops as a clerk.²² His long work experience in two foreign shops led him to earn 400 baht a month as a compradore.²³ World War I was a turning point - it enabled him to start his own business because Germans in Siam had been arrested. His shop, named 'Hang Komet', sold medicine and perfume and was successful.

A business trip to Europe in 1920 was paid for by a foreign company which aimed to trade with Siam. He spent one year in Europe. In England, Komet travelled to various places including Manchester, the centre of the cotton industry, where he spent three months, Glasgow, Birmingham, and Sheffield. He also visited Japan. In the latter half of the 1930's Komet expanded his business with Japan. He travelled to Japan in 1936 for three months to inspect Japanese commerce. In 1937 he set up a branch of the

²² See his personal history in his cremation book, *Lek Komet Anuson, Hokankha Thai* (The Siamese Chamber of Commerce) Phimchamruai naiwara kanchapanakitsop, Nai Lek Komet, Na Men Watmakkasatriyaram, 5 May 1962.

²³ Ibid. He started work as a clerk with a monthly salary of 30 baht.

Thai Phanit Co. at Kobe, and sold Thai animal skins to the Ministry of Defence in Japan. After World War II, he visited Japan as a representative of the Bangkok Chamber of Commerce, with officials of the Ministry of Commerce to conclude changes in the commercial treaty between Japan and Thailand.

A business tragedy, caused by fire and poor health, made him abandon 'Hang Lek Komet'. After this he expanded his business with Japan, and started a newspaper business called *Thai Mai*.

The development of the Siamese Chamber of Commerce was described in several books.²⁴ Wirat Phuengsunthon wrote a history of the Chamber.²⁵ He stressed the problem of the name of the Siamese Chamber of Commerce in Thai, the lack of funds and staff, and the various moves of office. He did not mention the extent to which the Chamber of Commerce exerted influence on the government, nor the kinds of policies or projects it carried out. According to his description, the Siamese Chamber of Commerce seemed to be more a social club for Thai merchants than an economic pressure group. However, his description offers an insight into the personal relationships around Komet in the Chamber of Commerce, and the various problems after its establishment.

A gathering of six people, including Phraya Phirompakdi and Lek Komet, at Komet's house on 16 December 1932 made the decision to set up

²⁴ For example, Lek Komet's cremation book, *Lek Komet Anuson, Hokankha Thai* (The Siamese Chamber of Commerce) Phimchamruai naiwara kannapanitsop, Nailek Komet, Na Meruwatmakusatriyaram, 5 May 1962. Wirat Phuengsunthon, 'Prawat hokankha Thai lae samakhom phokha Thai (History of Siamese Chamber of Commerce)' in Lek Komet's creation book. Another is Wirat Phuengsunthon, *Prawat Samakhom Phokha Thai* (The history of the Siamese Chamber of Commerce), Bangkok: The Thai Chamber of Commerce, 15 October 1971.

²⁵ He wrote a history of the Chamber of Commerce in the two books above.

a Siamese Chamber of Commerce.²⁶ The name in Thai was a big issue, because at that time there was no definite translation of 'Siamese Chamber of Commerce'. Chote Khumpan suggested 'Sapha Phanitkanhaengsayam' but Komet considered 'Sapha Kankha' or 'Hokankha' more suitable. In the end members chose 'Hokankha'. On 8 June 1933 the Siamese Chamber of Commerce was registered as an association, using the form 'Hokankha'. The government considered 'Sapha' as reserved for government institutions.

The National Archives documents on the Siamese Chamber of Commerce show several important points.²⁷ A letter from Phraya Phiromphakdi, president, to Luang Thamrongnawasawat, secretary-general of the cabinet, on 17 January 1934, explained the need for a Siamese Chamber of Commerce, the eight aims of the Chamber of Commerce, and the problem of choosing a name in Thai. Phraya Phiromphakdi pointed out that most Thai merchants did not help each other. In developed countries there were chambers of commerce. In Siam, foreigners set up their own chamber of commerce, and Chinese merchants used their own chamber of commerce. Therefore a Siamese Chamber of Commerce was necessary to promote commerce, with close cooperation between the government and Thai merchants. The eight aims of the Siamese Chamber of Commerce were: 1) cooperation between merchants and the people; 2) to exchange knowledge concerning commerce; 3) to help Thai merchants as much as possible; 4) to promote contacts between domestic and foreign merchants; 5) to improve and diffuse domestic products as much as possible; 6) to provide training in commercial principles; 7) to link the work of the government and of Thai merchants and 8) to carry out all functions of a chamber of

²⁶ Wirat Phuengsunthon, *Prawat Samakhom Phokha Thai* (The history of the Siamese Chamber of Commerce), Bangkok: The Siamese Chamber of Commerce, 15 October 1971. Though the date noted was 16 December 1933, the actual date seemed to be in 1932. The date for registration with the government was 8 June 1933; another source, *50 phi Hokankha Thai* (50 years of the Siamese Chamber of Commerce) put the date at 16 December 1932; p.27.

²⁷ (2) 0201.52/15. N.A.

commerce.

The key committee members were Phraya Phiromphakdi, the chairman, Lek Komet, vice-chairman, Phraya Sapasinthanakitkaset, secretary-general, Mi Kasemsuwan (Kimseng Kimsuwan), treasurer, Chua Phenphakkun, reception committee, Thongdi Israkun, librarian. The total number of committee members was twenty-five,²⁸ but the National Archive documents listed eighteen, the founders of the Chamber. The total number of ordinary members was forty-six, twenty-nine commoners and thirteen khunnang.

Among the committee members, Phraya Phiromphakdi and Phraya Phakdi-norasaet were particularly influential business leaders at the time. Phraya Phiromphakdi (Boonrawd Setthaburt, 1872-1950) was one of the few real Thai (not Chinese) merchants, who started to manufacture beer in the early 1930's.²⁹ Studying English in school with a native speaker and at the Sunantarai school, prepared him as a teacher and he passed the examination of the Ministry of Education; he wanted to be a bureaucrat but the advice of the British headmaster of the orphanage in which he worked turned him towards business.

He started at Hang Kimsenglee as a rice miller and saw miller and as a clerk when he was twenty one years old. After working at Kimsenglee for four years, he moved to Dickson & Co., a saw mill with a British owner, six years work experience here gave him wide knowledge of the timber business. He started a timber business on his own account, in 1913 he established Bang Luang Co. with the owner of Kim Seng Lee to engage in a

²⁸ Wirat Phuengsunthon, 'Prawat hokankha Thai lae samakhom phokha Thai (History of Siamese Chamber of Commerce)' in *Lek Komet Anuson, Hokankha Thai* (The Siamese Chamber of Commerce), Bangkok Phimchamruai naiwara kannapanitsop, Naliek Komet, Na Meruwatmakusatriyaram, 5 May 1962. Wirat Phuengsunthon, *Prawat Samakhom Phokha Thai* (The history of the Siamese Chamber of Commerce), Bangkok: The Thai Chamber of Commerce, 15 October 1971.

²⁹ *Prawat Chao Phraya Woraphongphiphat Phraya Phiromphakdi prawat rong bia* (The history of Phiromphakdi and his beer factory), Bangkok: Ongkan Khru-sapha, 1963.

ferry business over the Chaophraya river. A plan to construct a bridge over the river by the government in 1928 made him change direction.

Travel to Java and Sumatra led him to submit an application to construct a brewery in January 1931. He also travelled to European countries, Germany, England and Italy, to inspect breweries and to order machinery in 1932. After the constitutional revolution, the Boonrawd Brewery Co. Ltd was established in 1933. His business was important. First, according to Suehiro, Boon Rawd Brewery held a prominent position in a capital - intensive industry, following Siam Cement.³⁰ Most Siamese industry was in light manufacturing, such as cigarettes, matches, leather, ice, aerated water and coconut oil. Second, his company was a family business, and the Privy Pursue Bureau was not involved, as it was in the Siam Cement Co. Third, Boon Rawd Brewery survived severe competition from foreign beer in the 1930's without government support, until the Phibun government raised the import tariff on beer from 1939. Lastly, his desire to improve quality was a life theme; sending his sons to Germany to study, or inviting experts from foreign countries showed his passion for technology.

Phraya Phakdi-norasaet (Lert Saetthabut, 1872-1945) was known for the white bus business.³¹ He was born in 1872, the same year as Phraya Phiromphakdi, and his educational background was similar. Working in various jobs in his youth, such as low - level clerk in foreign trade houses, teacher, or customs officer, he started his own business under the name 'Ran Nai Lert' in 1895. In his shop he sold various products, such as the Singer sewing machine, tinned food and other foreign goods. Selling soda in cooperation with the Borneo Co. made him a fortune, but a later decision by

³⁰ Akira Suehiro, *Capital Accumulation in Thailand 1855-1985*, Tokyo: Centre for East Asian Cultural Studies, 1989, p.39.

³¹ Phraya Phiromphakdi and Phraya Phakdi-norasaet were related. This information is based on his cremation book. *Alainai Lert khunying Sin Phakdi-noraset phimnainganphraratchathemphloengsop Phraya Phakdi-norasaet (Lert Saetthabut)* (the cremation book of Phraya Phakdi-norasaet), Na Wathepsirintharawat, Phiriyakit, 18 April 1946.

the Borneo Co. to operate on its own ousted him from his position. Therefore, with about twenty thousand baht, he turned to selling foreign books, coconut oil and tin plate; these businesses ended in the red. He was the first Thai merchant to sell bicycles and start a hotel business. Suehiro describes Nai Lert's ice and bus business:

From 1912 he extended his business to ice making, and in 1925 he set up the most modern ice manufacturing plant (Siam Ice Works) in Thailand. From 1913 he imported Ford cars and started a bus transportation business. This mass-transit business soon became the core of Nai Lert's vast business activities.³²

In 1925, when Bangkok suffered from floods, Lert helped the people with his boats, so that he was awarded the name and rank "Phraya Phiromphakdinaraset".³³

In the 1930s his business was diversified and he had 437 employees.³⁴ 'Hang Nai Lert' consisted of six divisions: stock investment, bus business and hire, foreign products, estate, Thai products, provincial business and accounting. The bus business and estate were the core.³⁵ The bus business consisted of five bus lines, three boat lines and two cargoboat lines. His business was also concerned with various foreign products and Thai products. Three shops were located at Chiang Mai, Tonyaburi and Minburi.

The establishment of the Siamese Chamber of Commerce will be examined in terms of its role as a political or economic pressure group. Several commercial associations were set up by Chinese and foreigners before 1933. Punnee Bualek pointed out that there were fourteen Chinese

³² Akira Suehiro, *Capital Accumulation in Thailand 1855-1985*, Tokyo: Centre for East Asian Cultural Studies, 1989, pp.359-60.

³³ Chali lamkrasin, *Loert Samantao: Racha rotme khon-raek haeng krung Sayam* (Loert Samantao : The first bus king of Siam), Bangkok: Ruangsiri, 1981, p.47.

³⁴ S.R. 0201.8/21. N.A. This figure is given in the profile of 'Hang Nai Lert', enclosed in the letter from the Minister of Economic Affairs to the Secretary-General of the Cabinet on 2 November 1933.

³⁵ Ibid. According to the balance sheet of 1933, the profit of the four divisions were: estate, 102,431 baht; bus and hire division, 91,767 baht; Thai products, 65,811 baht and foreign products, 2,473 baht.

commercial associations founded between 1909 and 1937.³⁶ Among them, the Chinese Chamber of Commerce was the most important. The role of the Chinese Chamber of Commerce was closely related to political activity in China, as for example in September 1931 when a Japanese products boycott was imposed. European merchants established several associations, such as the Siam Importers Association in 1909, the Bangkok International Chamber of Commerce in 1913, and the Fire Insurance Association of Bangkok in 1914.³⁷ The aim of these associations was to promote European business unity, and to protect European interests against the Chinese business community.

This is one example of how the Chinese Chamber of Commerce acted as a pressure group on the government. When the government introduced the Banking and Insurance Tax Act in August 1932, the Chinese Chamber of Commerce submitted a petition to the government. The aim of this law was to tax those who conducted exchange business without registration as a bank.³⁸ In other words, it aimed to tax the mainly Chinese exchange business. Tan Siew Meng, President of the Chinese Chamber of Commerce, submitted a petition to the government on 28 February 1933.³⁹ His main argument was that the taxes on deposit banks and exchange banks were different; the exchange banks had to pay about ten times more, and consequently Chinese exchange banks would not be able to survive the

³⁶ Punee Bualek, *Laksana khong naithun Thai nai rawang Songkhramlok khrangthi 1 thung 2* (ph. s. 2457-2483) (The character of Thai capitalists during the inter-war period (1913-1940), Bangkok: Sathaban teknoloyi Sangkhom, 1994. See the list, pp.40-43.

³⁷ Ibid., p.38. There were 21 members of the Siam Importers Association, and 59 of the Bangkok International Chamber of Commerce.

³⁸ The British diplomat, Dormer reported: 'I am informed by Mr. R. Stevens, the American adviser to the Ministry of Foreign Affairs, who probably played a chief part in its drafting, that the act was based on the banking law in force in the Philippine Islands, but that the taxes imposed are about half the rates enforced there.' Dormer to FO No.164, 5 August 1932, F6585/200/40, FO 371/16260. See also Dormer to FO No. 166, 8 August 1932, F6853/200/40, FO 371/16260, PRO.

³⁹ (2) S.R.0201.52/6. N.A. See translation of the former document and discussion of the Banking and Insurance Act in English in K.Kh. 0301.1.32/62. N.A.

competition from the deposit banks. In a letter to the State Councillor of Finance on 28 February 1933, Tan Siew Meng described how Chinese exchange banks contributed to the Siamese economy:

I have once informed your excellency that these Chinese Exchange Banks are important middlemen for the rice millers who sell drafts. These Exchange Banks facilitate the business of the rice millers by mutual trust without resorting to guarantees or bills of lading as required by European Banks. If these Exchange Banks will have to close down, the rice millers will suffer considerably.⁴⁰

But the government pointed out that there was no evidence to support the imaginary calculations made by the Chamber, and no consideration was given to the petition.⁴¹

Yet the role of the Siamese Chamber of Commerce was minor compared to that of the Chinese Chamber of Commerce. The documents on the Siamese Chamber of Commerce in the National Archives fail to show that the Chamber influenced the government.⁴² In addition, the Chamber's own history and Lek Komet's cremation book mainly dealt with minor matters, such as the name of the Chamber in Thai or the several moves of office. Wirat pointed out that financial difficulties were constant, and that self-reliance was tried before asking help from the government.⁴³ There was no financial support from the government. Why did the powerful and important members not act as a pressure group? It might be that each individual business faced a difficult situation in the 1930's, so that their main concern was to protect their own business rather than develop the Siamese Chamber of Commerce. The financial difficulty of 'Hang Nai Lert' in the early 1930's, and Phraya Phiromphakdi's struggle to survive against foreign competition may well have absorbed their owner's energies. The Siamese

40 K.Kh.0301.1.37/62. N.A.

41 Ibid.

42 (2) 0201.52/15. N.A.

43 Wirat Phuengsunthon, *Prawat Samakom Phokha Thai* (The history of the Siamese Chamber of Commerce), Bangkok: The Thai Chamber of Commerce, 15 October 1971.

Chamber of Commerce rarely tried to influence the government.

5.3. The Role of the Mass Media During the Reigns of Rama 6 and 7

The role of the mass media during the reigns of Rama 6 and 7, particularly of newspapers, is now to be examined. According to the bibliography of periodicals and newspapers printed in Thailand between 1844-1934, produced by the Thai National Library, the number of daily newspapers started under Rama 6 and Rama 7 was 22 and 60.⁴⁴ Table 5-2 shows the rapid development of periodicals and newspapers during the reigns of Rama 5, 6, and Rama 7. Another document in the National Archives shows the number of applications to publish newspapers during the reigns of Rama 6 and Rama 7, as 82 and 70.⁴⁵ However, the life of a new newspaper was generally short, and few survived more than three years (see Table 5-3). The rapid development of newspapers took place from the mid -1920s. Table 5-4 shows that the peak year was 1932. Batson notes: 'A major development of the late 1920s was the expansion of the Thai press and the growth, at least in Bangkok, of a 'public opinion' that encompassed a larger part of the educated class.'⁴⁶ The circulation and quality of these newspapers in the early 1920s was described by a British report:

That the Press of Siam is still in its infancy is amply demonstrated by the fact that the number of publications, which appear to possess a reading public, is only about twenty-five. All

⁴⁴ *Warasan lae nangsuphim nai prathed Thai sungtiphim rawang ph. s. 2387-2477* (Periodicals and Newspapers Printed in Thailand between 1844-1934 : a bibliography), Bangkok: Serials Unit, National Library, Department of Fine Arts, 1970. The number of periodicals which began publication under Rama 6 and Rama 7 were 127 and 96.

⁴⁵ R.6. N.20.1.N.A.; R.7. M.26.3.N.A. These figures included monthly, weekly and daily newspapers and magazines. These files show owner, editor, the date of issue, aim, headoffice and printing house.

⁴⁶ Benjamin A Batson, *The End of the Absolute Monarchy in Siam*, Singapore: Oxford University Press, 1984, p.71.

of these are published in Bangkok and it is doubtful if more than 1500 copies altogether are distributed daily throughout the Provinces.⁴⁷

There were several reasons for such a rapid development of the press from the mid-1920s. First, the Education Law, enforced in 1921, made every child between the ages of seven and fourteen years attend school. Table 5-6 shows how rapidly the number of students expanded during the 1920s and 1930s. A British report noted: 'The education law of 1921 will, undoubtedly, exercise a greater influence on the Press of Siam than any previous legislation. During the year 1922, the number of new schools established was approximately 4000.'⁴⁸ This law brought about an immediate expansion in literacy, although an accurate literacy rate seems difficult to obtain because of changing definitions: the literacy rate in 1911 and 1937 is given in Table 5-5.

Second, rapid political and economic change took place during the 1920s and early 1930s. For example, reckless expenditure by Rama 6 and the effect of the world depression from 1929 caused dissatisfaction among various social groups, including civil servants, army officers, merchants and farmers. Foreign and domestic news became more important for most of the people, who wanted more information which affected daily life. Although some criticism of the government or persons reflected only personal dissatisfaction or envy, there were articles with constructive political and economic ideas before and after 1932. Also, intellectuals, including Siamese students abroad, came back to Thailand during the 1920s, and they were often asked by the press for their opinions on current issues.

What kind of role did the newspapers play before and after 1932? In view of the low circulation and poor literacy it could be argued that the

⁴⁷ 'Memorandum of the Vernacular Press' This report was written by Mr. Cotter, student interpreter, and enclosed in Greg to FO No.215, 31 December 1923, F 366/220/40, FO371/10348, PRO.

⁴⁸ Ibid.

newspapers had little influence on public opinion.⁴⁹ However, the role of newspapers was important for the following reasons. Before 1932 the newspaper was the only mass medium, and the expansion of education brought about an increase in their significance. It was not until the late 1930s that the role of radio became more significant. Second, who subscribed to and read the newspapers? As newspapers circulated mainly in Bangkok, the readers were assumed to be civil servants, army officers, merchants, lawyers, clerks, foreigners, teachers and students. In other words, the upper class and middle class were the main readers. It is clear that few farmers outside Bangkok had access to newspapers. Third, in general before 1932 there was more freedom of the press, and the newspapers attacked the royal family, the kunnang class, government policy and the political system. The lack of a severe Press Act and low literacy were two reasons for having such freedom. However, after 1932 the situation changed; censorship was enforced, and various newspapers were closed several times. A new Press Act was enforced by the government, which became aware of the threat of newspapers to government. Fourth, there were Thai, Chinese and English newspapers. English newspapers had quite small circulations compared with Thai and Chinese. The number of Europeans living in Thailand during the 1910s and 1920s was less than 2,000.⁵⁰ In addition, the number of Siamese who could read English seems to have been very small. However, some English newspapers were

⁴⁹ The circulation of newspapers is difficult to estimate. However two US diplomatic documents, US, 892.911/6, 13 February 1925, and US, 892.911/15, 23 February 1937 have figures. The former gave estimates for five papers, *Bangkok Times*, 1,000, *Siam Observer*, 1,000, *Bangkok Daily Mail* (English), 600, (Thai), 4,500 to 5,000, *Chino-Siamese Daily Mail* (Chinese), 2,000, *Nagsue Bimb Dai* (Thai), 3,000. The latter covers 26 papers, but the figures for Siamese papers was the same as Table 5-8. But the English papers were *Bangkok Times*, 1,200, *Siam Chronicle*, 4,000 and the Chinese papers circulations were slightly different: *Tong Hua Min Poh*, 5,000, *Tong Min Yit Poh*, 5,000, *Wah Sen Yit Poh*, 6,000-7,000, *Wah Khiew Yit Poh*, 5,000-6,000, *Hwa Siew Yer Pao*, 1,000, *Min Kok Yit Poh*, 4,000-5,000, *Bangkok Morning News*, 4,000-5,000.

⁵⁰ Constance M. Wilson, *Thailand: A Handbook of Historical Statistics*, Boston: G.K. Hall & Co, 1983, p.30. There were 1813 Europeans in 1919, and 1920 in 1929.

considered important, because they reported not only domestic but also foreign news through a news agency like Reuter. Some newspapers, like the *Bangkok Times*, which survived from 1887 to the 1940s, were considered quality papers. Last, high-quality discussion of the political system, economic problems and social problems took place in the newspapers. Later a few examples will be examined.

There are two further issues to be considered concerning newspapers in the 1920s and 1930s. First is the subsidy from the government to the press. There was the argument that freedom of speech in the mass media would be limited by government financial support. National Archives documents show that four newspapers, *Bangkok Times*, *Bangkok Daily Mail*, *Siam Observer* and *Nangsue Phim Thai* each received a subsidy of 8,000 baht in 1927.⁵¹ Other newspapers asked the king for a subsidy. Pheng Bunnak and Hom Ninlarat Na Ayuthaya, owners of *Thai Num* and *Kanmanto*, each asked for a subsidy of 8,000 baht, because of deficits caused by severe competition from other papers.⁵² During that time the effectiveness of the subsidy was doubted by the government and there was discussion over whether to continue the subsidy to the press. A memorandum noted:

The reason for the subsidy was the desire of the government to control the policy of the paper. There was ample justification for this policy at the time it was adopted. All of these papers were published in English and undoubtedly had influence among the foreign population. At that time our foreign relations were difficult. The old treaties were still in effect; and newspapers by adverse criticism would create difficulty and trouble for His Majesty's Government. The situation now is very different. All the old treaties have been revised and the Government is free from foreign interference. There is in force a new Press Law which amply protects the public interest.⁵³

51 'Memorandum on Newspapers Subsidy', 30 December 1927, R7.R.L.19/6.N.A. The annual subscription for each newspaper was: *Bangkok Times*, 60 baht, *Siam Observer*, 50 baht, *Bangkok Daily Mail* (Thai edition), 25 baht; *Bangkok Daily Mail* (English edition), 35 baht.

52 Letter to the king from Pheng Bunnak and Hom Ninlarat, 14 December 1927, R7.R.L.19/6. N.A.

53 R7.R.L.19/6. N.A.

This memorandum suggested purchasing a hundred copies of each newspaper instead of giving a subsidy. A cabinet meeting held on 1 February 1928 explained that the subsidy had been initiated during the reign of Rama 5, and that in spite of receiving a subsidy, some newspapers, such as *Siam Free Press*, had annoyed the government so much that it had decided to purchase the paper. As a result of this discussion, the government decided not to continue the subsidy but to purchase copies instead. The petition from *Thai Num* and *Kan Man To* was rejected.

In general there was more freedom of the press under the old regime than the new.

Government control of the press under the old regime was a curiously inconsistent affair. To judge by certain articles, the press was as free as in Europe; and many discontented Government officials sought an outlet for injured feelings through this medium.⁵⁴

It was in 1919 that a newspaper act was enforced. Table 5-7 shows the various newspaper acts from the 1910s to the 1930s. Firstly, the newspaper act of 1919 was gentle in terms of censorship. Until 1927, the qualifications of editors were not defined, so that some Thai newspapers were owned by foreigners. The British Foreign Office noted:

With a view to controlling such newspapers, a "Books, Documents and Newspapers Law" was promulgated in January last [1919] but this Law has, up to the present, been to some extent evaded by appointing as editors the nationals of countries exercising extra-territorial privileges. The three outstanding instances of this policy are the '*Kammakan*' (Labour), the '*Pikat Torpedo*' (Torpedo destroyer) and the '*Yamato*'. In the case of the first two, the duties and responsibilities of owner, manager and editor are vested in Dutch subjects and in the third, in a Japanese subject.⁵⁵

Until 1927 the press had considerable freedom of speech. In fact the

⁵⁴ Virginia Thompson, *Thailand: The New Siam*, New York: Macmillan, 2nd.ed., 1967, p.791.

⁵⁵ 'Memorandum on the Vernacular Press', R.7.R.L.19/6. N.A. According to *Warasan lae nangsuphim nai prathed Thai sungtiphim rawang ph. s. 2387-2477* (Periodicals and Newspapers Printed in Thailand between 1844-1934 : a bibliography), Bangkok: Serials Unit, National Library, Department of Fine Arts, 1970, *Kamakorn* and *Pikat Torpedo* were classified as weekly magazines and the owner of *Kamakorn* was Sri, that of *Pikat Torpedo* was Samai Wiraphan. *Kamakorn* was published from 1922 to 1926, and *Pikat Torpedo* from 1923 to 1924. *Yamato* was registered as a daily newspaper and the owner was Ai Miyakawa, a Japanese. This paper survived from 1923 to 1924.

press sometimes attacked the old regime's policies and the extravagance of the palace under Rama 6. Press criticism extended to civil servants, and on occasion to the private life of the king and his entourage. Greg, a British diplomat, reported:

It would of course be a mistake to attach too much importance to these publications, many of which die almost as soon as they see the light of day, but the existence of a native press at all is a new feature and at any rate connotes an element of independent public opinion in a country where all forms of organised and constitutional criticism are debarred. Not the least remarkable aspect of this press has been the singularly outspoken condemnation of expenditure on unproductive Departments, like the Ministries of War and Marine, and of the vagaries and extravagance of the Palace and Court favourites.⁵⁶

The Press Act of 1927 was a turning point in terms of censorship, because organised criticism was forbidden, and the press became an unimportant arena of political comment. The important clauses included imposing requirements for the education level of editors, and clause 18 (concerning the granting of licenses) which excluded army officers, civil servants and non-residents in Siam from publishing political views. Clause 19 allowed the government to revoke a license if a paper published articles which threatened public order and good morals, or which alarmed foreign powers which had treaty relations with Siam.⁵⁷ After the revolution in 1932, censorship became more frequent. According to Landon, ten newspapers were closed down either temporarily or permanently between 2 June and 29 November 1932, seven times the number closed from May 1933 to April 1934.⁵⁸

Table 5-8 lists the major newspapers in the 1920s and 1930s. Among

⁵⁶ Greg to FO No.215, 31 December 1923, F366/220/40, FO371/10348, PRO.

⁵⁷ Atcharaphon Kamutphitsamai, *Panhaphainaisangkom Thai kon kanpatiwat 2475: Phapsathon cakngankhienthangnangsuphim* (Social Problems in Thai Society before the 1932 Revolution: From the Aspect of Newspaper writings), Bangkok: Sathaban Thai Khadisuksa (Thai Khadi Research Institute) Thammasat University, 1989. The Books, Documents and Newspapers Law in 1927 is considered on pp.422-435.

⁵⁸ Kenneth P Landon, *Siam in Transition: A Brief Survey of Cultural Trends in the Five Years since the Revolution of 1932*, Connecticut: Greenwood Press, 1968, p.49.

them the government owned *Nangsue Phim Thai* , and *Sri Krung* , *Sayam Rasadorn* and *Thai Mai* were considered quality papers and were popular among the people. It is often difficult to identify the owners of newspapers, because of limited sources. One example is the Srikung Press Co. This was founded by Sukri Wasuwat, who was the owner as well as editor. When he passed away, his younger brother, Manit, succeeded as director until 1933. *Srikung* was published from 1926 and was the first paper to use modern methods of publishing and printing. Another newspaper, *Sayam Rasadorn*, sold from 3,000 to 30,000 copies before World War II.⁵⁹ Manit's educational background was equivalent to Matayom 8, and he had worked as an interpreter in the Ministry of Finance; in addition, he had worked in the Samsen electric power plant. Manit was a member of the House of Representatives from 28 June 1932 to 15 November 1933.⁶⁰ His businesses also included the Sri Krung Cinema Co, the manufacture of photograph records, and Sri Krung Hall. The Wasuwat family is famous for starting new businesses, such as the cinema 'Sri Krung', metal mould production, records, a cinema house, new style comics and as photographers.⁶¹

The various newspapers after 1932 can be classified as pro-regime or anti-regime. The People's Party approved freedom of speech in theory but there was more severe censorship. During that time newspapers were often used to attack political enemies. Nakharin pointed out that newspapers in 1932 and 1933 were classified into three main groups; pro-People's Party

⁵⁹ Prakat Watcharaphon, *Thamniap Khonnangsuphim* (Pressman's Residence), Bangkok: Dokya, 1990, pp.276-277. See the description of Manit Wasuwat on pp.274-283.

⁶⁰ Another pressman, Net Phunwiwat, was also appointed a member of the House of Representatives. His educational and career background were quite different from those of Manit. Graduating from Nairoi School, appointed second lieutenant in 1910, he participated in the R. S. 130 attempted revolt. Receiving a 20 year prison sentence (later reduced to 12), he was released in 1924. Later he joined Sri Krung press and worked with Manit. Nakharin Mektrairat, *Kan patiwat Sayam ph. s. 2475* (The 1932 Revolution in Siam), Bangkok: Mun nithi khrongkan tamura sangkhomsat lae manutsayasat, 1992, p.312.

⁶¹ Prakat Watcharaphon, *Thamniap Khonnangsuphim* (Pressman's Residence), Bangkok: Dokya, 1990, p.280.

and support for socialism, *24 Mithuna*, *Satcang*, *Kammakon* and *Chaloemratthammanun*; anti-People's Party, *Krungthep Daily Mail*, *Thai Mai* and *Chuai Kammakon*; and a neutral group, *Prachachat* and *Sri Krung*,⁶² Among the anti-government papers, *Krung Thep Daily Mail* was particularly important. A brief history of the paper is given in Table 5-8. It was American-dominated and the royal family took part in the business.

The Daily Mail, which had been bought out by Rama VI, had become a drain on the Privy Purse; and in 1927 the king sold it to his father-in-law, Prince Savasti. In 1928 this anglophile Prince hired as editors an American-Jewish journalist, A.A. Freeman. Technically well-equipped, Freeman was a crusader, who employed tabloid methods.⁶³

The paper focused on corruption in the government, and had mild liberal political sentiments. After the revolution in 1932, the paper was strongly against the People's Party, and sought to promote the vested interests of the old regime. Phya Phahon, the Prime Minister, expressed dissatisfaction with the *Krung Thep Daily Mail* (Thai edition), the *Bangkok Daily Mail* (English edition) and *Seriphap*, which he alleged, (in a letter to the Minister of Interior on 28 July 1933), caused disorder among the people.⁶⁴ The Bowaradej revolt in October 1933 brought about the closure of the *Siam Free Press* because of its involvement.⁶⁵ After receiving the order to close, M.L. Cha-an Israsak, the editor of the *Siam Free Press*, sent two letters to Phya Phahon. In the first, dated 14 November 1933, he maintained that the *Krung Thep Daily Mail* and *Seriphap* were not the government's enemies, although the

⁶² Nakharin Mektrairat, *Kanpatiawat Sayam Ph. S. 2475* (The 1932 Revolution in Siam), Bangkok: Mun nithi khroongkan tamra sangkhomsat lae manutasayasat, 1992, p.109. He also pointed out that *Prachathipatai* aimed to promote western democracy.

⁶³ Virginia Thompson, *Thailand: The New Siam*, New York: Macmillan, 2nd.ed., 1967, p.793.

⁶⁴ (2) S.R.0201.92/2. N.A.

⁶⁵ Virginia Thompson, *Thailand: The New Siam*, New York: Macmillan, 2nd.ed., 1967, p.797. 'The Government's attitude towards the press was not softened by the revelation that the *Daily Mail* had served as Bangkok headquarters for Boveradej; and its Siamese editor Nai Louis Girivat, was given a life sentence.'

papers did not flatter the government.⁶⁶ The second letter, dated 20 November 1933, pointed out that the 200 employees of the *Siam Free Press* would be in serious difficulty and asked for help from the government. He argued that the true aim of the government in closing down the *Krung Thep Daily Mail* was to stop newspapers which would be against the government, particularly at a time of crisis.⁶⁷

Many articles about Siam's economic problems appeared in the press before and after 1932, either as editorials or as special features spread over several weeks. The writers usually used pen-names, like numbers 111, 222, 333, or a simple Thai name suggesting occupation or political stance. For example, 555 was a pen-name for Phra Sarasas, and 555's articles often appeared in *Thai Mai*, *Phrachachat* and other papers. Rama 6 often used the press to air his ideas on political and economic issues. Table 5-9 shows how various articles appeared under various pen-names from the 1910's to the 1930's. Three examples will be considered here. The first two were written by Kasikorn, that is Prince Sithiporn, and the last by 555, Phra Sarasas.

The first article appeared in two Thai papers, *Phim Thai* and *Daily Mail* from September 1928 to January 1929.⁶⁸ The argument thus continued for almost half a year, and two important figures, 555 and Kasikorn, contributed. These articles also appeared in the English newspaper, the *Bangkok Times Weekly Mail*. The main argument concerned Kasikorn's doubts over the suitability of road construction as proposed by 555. Kasikorn

⁶⁶ Virginia Thompson, *Thailand: The New Siam*, New York: Macmillan, 2nd ed., 1967, p.797. 'The Government's attitude towards the press was not softened by the revelation that the *Daily Mail* had served as Bangkok headquarters for Bovaradej; and its Siamese editor Nai Louis Girivat, was given a life sentence.'

⁶⁷ Ibid.

⁶⁸ R7 M.26.4/38. N.A. The dates for *Phim Thai* were, 22, 23, 28, 29 September 1928; 1, 2, 3, 4 January 1929. In *Daily Mail*, 14, 15, 16, 18, 19 December 1928.

pointed out that in general, water transportation would be more suitable in terms of costs, while farmers far from water could use the railway.⁶⁹ There was then an argument over responsibility for the construction of roads. 555 maintained that it was the central government's responsibility to construct roads, Kasikorn doubted whether tax payer's money should be used in this way, and maintained that each Monthon (province) should undertake construction of roads.⁷⁰ Kasikorn objected to three reasons given by 555 for road construction. These reasons were; administrative and defensive, recreational and economic advantage.⁷¹ Kasikorn's attack mainly concerned the third reason, and he maintained that road construction should be divided into city and rural roads. Rural roads were more important, in terms of distribution from villages to cities. However, water transportation was cheaper than land transportation. Although construction of roads to railway stations would be necessary, the low cost of cartage in the dry season raised doubts about road construction: 'if roads do not reduce transportation costs, roads have no economic justification.'⁷² Also 'roads can reduce transportation costs, however, if there is no agricultural product to carry, roads have no economic justification.'⁷³ Kasikorn pointed out three problems; the construction of roads by public agency would mean involving the Ministry of Finance; the construction by private agency would increase the cost; the lack of sufficient crops would make it impossible to construct roads. He concluded:

A road is economically justified, if the cost of transport of produces by such road is cheaper than by any other means, and provided also that the quantity and value of produces to be transported is sufficiently large as to enable the producers thereof to pay for the construction and upkeep of the road.⁷⁴

69 Ibid., *Phim Thai*, 22 September 1928.

70 Ibid., *Phim Thai*, 23 September 1928.

71 Ibid., *DailyMail*, 14 December 1928.

72 *DailyMail*, 15 December 1928. My translation from Thai to English.

73 Ibid. My translation from Thai to English.

74 Ibid. Only this part was originally written in English.

Detailed calculations were made of construction costs and financing from the land tax,⁷⁵ as well as comparisons of railway and road transportation costs from Chiang Mai to Bangkok.⁷⁶ Kasikorn maintained that constructing roads at that time would benefit foreigners rather than Thais. Moreover the forest was a capital asset - destroying forests to make roads was therefore unacceptable.⁷⁷

Another of Kasikorn's articles appeared in the *Bangkok Times Weekly Mail* from January to March 1931.⁷⁸ The title was 'Siam's Economic Problems' and various topics - including the high exchange rate, stagnant rice exports, Chinese middlemen's involvement in deteriorating rice quality and how to construct warehouses - were considered. He showed that the high exchange rate had brought about a drastic fall in the trade surplus and rice exports:

Perfection in Siam can only be arrived at by steadily expanding our exports, which will bring money into the country most certainly and surely. And as far as Siam is concerned, the fundamental business of increasing the exports lies with the cultivators of the soil. If modernisation is required and necessary, why not begin with the farmers in the country and improve his methods?⁷⁹

While Kasikorn blamed the high exchange rate for the stagnation of rice exports he was neutral about the baht remaining on the gold standard, pointing out the need for a stable currency.⁸⁰

Concerned with the decreasing trade surplus, he mentioned the problem of a tight financial situation in Siam.

In view of the very large invisible imports the position is decidedly unsatisfactory. With the ever-diminishing trade account and the high gold value of the tical, there is a larger demand for foreign currencies, and a large amount of the cash available in the money market in Siam is fizzling out to other foreign countries. There have been heavy purchases of foreign

75 Ibid., *DailyMail*, 16 December 1928.

76 Ibid., *DailyMail*, 19 December 1928.

77 Ibid., *DailyMail*, 18 December 1928.

78 See the date in table E-9.

79 *Bangkok Times Weekly Mail*, 14 January 1932.

80 *Bangkok Times Weekly Mail*, 16 January 1932.

currencies by bankers and financial speculators and indeed by all who had money at all. By this time most of the liquid money resources in the hands of the local banks and private financiers has been transferred to Europe, Hongkong, etc.⁸¹

His main argument focused on the role of the Chinese middlemen, and he warned of the rapid growth of the Chinese population in the country, saying that the 'wolf is not only at the door but is really inside our house.'⁸² He mentioned the heavy Chinese involvement in the rice business, as rice millers, middlemen, speculators, carriers, distributors and shippers. His main argument concerned the deterioration in rice quality caused by the Chinese middlemen. For example by mixing fat and thin rice and mixing short and long rice, they created a bad reputation for Siamese rice in Europe. They also kept rice in bad conditions in the warehouses.

If a suitable quantity of uniform paddy is not supplied to the miller, a much smaller price will be paid.....Therefore, the points to consider are exactly, how these two parties - I mean the export trader and the cultivator - are to meet and work hand in hand together. Of course their interests are interdependent, and it is to their mutual advantage to eliminate the middleman together.⁸³

Kasikorn aimed to improve rice quality to expand exports. In other words, he wanted to produce cheaper and better quality rice in order to strengthen Siam's position in the world market. He mentioned the Japanese government's domestic rice monopoly, taking over from the middleman. Kasikorn argued that cooperation with foreign business would be necessary to eliminate the Chinese middleman.

He assessed the scheme of the East Asiatic Company to encourage direct sales by the cultivators and to improve paddy varieties. Kasikorn proposed setting-up the scientific storing of grain, the storage warehouse (godowns) with elevators.

In America, and in highly commercialised Western countries, the co-operative associations and companies established for grain storage, especially the co-operative elevator

81 *Bangkok Times Weekly Mail*, 12 February 1932.

82 *Bangkok Times Weekly Mail*, 4 March 1932.

83 *Bangkok Times Weekly Mail*, 5 March 1932.

societies, store the grain in a most scientific and economic way. They also possess large capital to enable them to make advances to farmers, before the actual disposal of the grain. How is Siam to take action on the same lines?⁸⁴

According to him, godowns should be close to a railway station, a main road, river, or creek. There would be at least five or six apartments for the different grades of paddy. In addition, building an elevator, costing a few hundred baht, was necessary, this would be repaid in a few months, compared with the cost of hiring of a coolie.

The last part of his article was concerned with organisation and finance. It was clear from his title, 'Co-operative Grain Storage in Siam', that Kasikorn thought well of cooperatives. He expected more from the farmer's own initiative, and was doubtful about strong government intervention.

The lines of organisation should not be purely a Government creation or the result of a temporary windfall from some philanthropist. Co-operative credit societies have existed for many years in Siam, and the fact of their expansion being very slow, is due to their being a Government creation - they are still more or less in the stages of "spoon fed" conditions up to this moment.⁸⁵

Concerning finance, there were two alternatives, for the society to purchase the grain from the farmers, second, for the society to store the grain and give a receipt to the farmers. As the first required a huge amount of capital and loans to the society by banks and capitalists it would be impossible. Therefore, Kasikorn concluded: 'The second scheme of financing appears to me as to be more suitable to the conditions of Siam, and as more likely to appeal to the cultivator, as it removes from his suspicious mind, all possible taint of middlemen profiteering'.⁸⁶

From these two examples, it is clear that Prince Sithiporn [Kasikorn]

84 *Bangkok Times Weekly Mail*, 11 March 1932.

85 *Bangkok Times Weekly Mail*, 12 March 1932.

86 *Ibid.*

raised fundamental issues to improve the Siamese economy.⁸⁷ It is important to note that these ideas were developed before 1932, the second being concerned with the impact of the world depression in the early 1930's. It is also important to note that Prince Sithiporn argued the point of view of the farmers. His anti-Chinese, anti-middleman, views are clear. However, his support for the East Asiatic Company's scheme shows that he was not anti-Western. Lastly, he supported initiatives from the bottom, from cultivators, and cast doubts on the efficiency of high-level decisions by government.

Phra Sarasas wrote many articles on political, economic and social problems in various newspapers before and after 1932. Table 5-9 shows only some of his economic articles which appeared after 1932. He used the pen name 555, and he was critical of the absolute monarchy before 1932. He explained his pen name in his book, *My Country Thailand*.

During his reign there was a newspaper publishing house in Bangkok owned by an American, issuing two dailies, one in Siamese and one in English. Special articles appeared from time to time in both papers written by a freelance who used the pseudonym of 555, who was a militant revolutionary. At first the writer attacked neither the King nor his government, but simply brought into contrast what were being done in Siam and in the democratic countries, which gave the readers plenty of food for thought. Later when he became known he began to drop dark hints of the drawbacks and the dangers which Siam had been and would be courting unless his advocacies were adopted. His articles raised acute controversies and gradually moved from the stage of novelty to general adoption. They were accepted without cavil by the

⁸⁷ Prince Sithiporn was one of the few members of the royal family who showed a deep interest in farming and science, and made a great contribution to the development of Siamese agriculture. He was born in 1883, the fourth child of Krom Phra Nares Voraridh (the son of King Mongkut) and Mom Suphap. He was sent to England in 1891 for ten years, attending Harrow and then studying mechanical engineering at City and Guild's Technical College, later part of London University. His family's tight financial condition made him return to Siam in 1901. He worked for the Ministry of Finance and a 14 year career led him to be Director General of the Opium Department. However in 1921 he resigned and started a farm by purchasing 40 hectares at Bangberd. At this farm, he experimented with various crops such as corn, watermelons, cabbages and Virginia tobacco. He also founded a monthly agricultural journal, *Kasikom* (Farmers) in 1926 and as editor and contributor wrote many articles in order to diffuse useful information on farming to farmers. In 1932, after the revolution, he was appointed Director General of the Department of Agriculture. Following the Prince Boworadet Revolt in 1933, he was imprisoned for 11 years. In 1948 he served as Minister of Agriculture. He died in 1971. See his detail life in his cremation volume, *Botkhwamkhong lae kiawkap M.C. Sithiporn Kridakorn*, Bangkok: Samakhom Sangkhomsat haeng Prathet Thai, 1971.

young Thai who went into rapture over them.⁸⁸

One example of a 555 article should be discussed here. It concerned the views of Doll, the Financial Adviser, on Chinese foreign remittances.⁸⁹ Doll had suggested that the amount of Chinese remittances from Siam was 39 million baht per year, which he considered serious for Siam's finances. 555 did not agree, arguing that the figure should be remittance per person. He used data from the Foreign Trade Association, 'Kingdom of Siam', which indicated that the Chinese population of Siam was 2.5 million, and he assumed that each Chinese sent to China less than 15 baht per year. Further assuming that the Chinese monthly income was not less than 10 baht on average, a yearly income of 120 baht, thus meaning that each Chinese spent 105 baht in Siam a year, which 555 thought was useful for the Thai nation. Lastly, 555 pointed out that Doll did not mention how much westerners sent out in remittances. He assumed that the figure would be much more than 15 baht per head per year.

5.4. The Origins of Economic Nationalism in Siam

This section will consider the origins of economic nationalism in Siam. In general there are two views on the origins of political nationalism: that it began in the reign of Rama 6 (1910-1925) or that it began in 1939, under Phibun. Regarding nationalism, Thinaphan argued:

A major political phenomenon between 1939 and 1947 was the attempt to build nationalism in Thai society. Previously, such an attempt was undertaken during the reign of Rama VI when the absolute monarchy used nationalistic sentiments to counter the economic stronghold of the Chinese, to resist the threats of European expansionism, and to instil in the minds of the people love and loyalty for the three major national institutions, namely, the

⁸⁸ Phra Sarasas, *My Country Thailand*, Bangkok: Golden Service Co, 6th.ed., 1960, p.131.

⁸⁹ *ThaiMai*, 13 June 1936.

nation, religion and the monarchy.⁹⁰

The term 'official nationalism' has been used by Benedict Anderson to describe nationalism in Siam.

These "official nationalisms" can best be understood as a means for combining naturalisation with retention of dynastic power, in particular over the huge polyglot domains accumulated since the Middle-Ages, or, to put it another way, for stretching the short, tight, skin of the nation over the gigantic body of the empire.⁹¹

Anderson's point is that the model of modernisation used in Japan and Siam in the later nineteenth century was different because Japan's model was to catch up with the Western countries, particularly Europe, so that Japan focused on the development of military power and the education system. On the other hand, Rama 5's model was not Europe.

Nonetheless, Chulalongkorn regarded himself as a moderniser. But his prime models were not the United Kingdom or Germany, but rather the colonial *beamtenstaaten* of the Dutch East Indies, British Malaya, and the Raj. Following these models meant rationalising and centralising royal government, eliminating traditional semi-autonomous tributary statelets, and promoting economic development somewhat along colonial lines.⁹²

This analysis seems to offer an explanation why economic development was so slow, and why political and social factors, for example, maintaining the vested interests of the élite, was the first priority. Anderson also pointed out that relying on foreign labour, particularly Chinese, was intended to leave Thai society largely undisturbed.

According to Vella, Vajiravudh (Wachirawut) was a strong nationalist, with a passion for Great Britain. His ideological complexity, a mixture of Western and Siamese traditions and cultures, makes it difficult to unravel. Vella noted: 'The inspiration of Vajiravudh's nationalist program was, first and foremost, Great Britain, the Western nation Vajiravudh knew best, at this

⁹⁰ Thak Chaloemtiarana (ed), *Thai Politics: Extracts and Documents 1932-1957*, Bangkok: The Social Science Association of Thailand, 1978, p.243.

⁹¹ Benedict Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, London, New York: Verso, revised ed., 1991, p.86.

⁹² *Ibid.*, pp.99-100.

time a nation caught up in imperialist enthusiasm.⁹³ But Anderson had a different view:

The target of this nationalism, however, was neither the United Kingdom, which controlled 90 per cent of Siam's trade, nor France, which had recently made off with easterly segments of the old realm: it was the Chinese whom his father had so recently and blithely imported.⁹⁴

But did Rama 6 initiate economic nationalism? The king was not interested in economics or finance, and was not aware of an economic crisis.⁹⁵ The king did not realise the severe economic condition of the farmers, arising from the depression in agricultural prices.

The King took strong exception to the "loud laments" that the Thai peasantry was impoverished and exploited. The Thai were not poor: there was no starvation in Siam; the people even had money enough to indulge in gambling. The "so-called poor people in Bangkok", he said, "are quite rich" compared with the urban poor in Europe. As for people in the countryside, "Our provincial people do not lack necessities; they have got decent roofs over their heads, and ground to till and cultivate". The only "poor" people in Siam were extravagant spenders in Bangkok whose luxurious tastes ran beyond their means.⁹⁶

In spite of such views, the king did initiate some economic measures, such as the establishment of the National Savings Bank, the Cooperative Movement, the Siam Cement Company in 1913, and the Siamese Steamship Company in 1918.

It is valuable to see Vajiravudh's economic nationalism in a political rather than economic context. Anderson suggested two reasons why the king expressed strong anti-Chinese views in his famous pamphlets: *The Jews of the Orient* (1914) and *Clogs on Our Wheels* (1915). One was a general strike by Bangkok's Chinese merchants and workers which challenged the

⁹³ Walter F. Vella, *Chaiyo! King Vajiravudh and the Development of Thai Nationalism*, Honolulu: University of Hawaii Press, 1978, p.xiv.

⁹⁴ Benedict Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, London, New York: Verso, revised.ed., 1991, p.100.

⁹⁵ Walter F. Vella, *Chaiyo! King Vajiravudh and the Development of Thai Nationalism*, Honolulu: University of Hawaii Press, 1978, p.170. 'The workings of economics and finance were something of a mystery to Vajiravudh, and on occasion he admitted as much. In 1912 he wrote, "When I come to the question of finance, I never feel quite happy about it, because I never had a head for finance".'

⁹⁶ Ibid., p.170.

king's authority in 1910; and the Chinese revolution in 1911, which brought an end to the Celestial Monarchy in Peking. 'Second, as the words "Jews" and "Orient" suggest, the Anglicised monarch had imbibed the particular racism of the English ruling class.'⁹⁷ The king's criticism of foreign imports and Chinese labourers in an essay in 1915, and his views in the press on how to foster Siamese commerce and industries, illustrated his belief that it was not the government's but the people's responsibility to improve the economy.⁹⁸ There was only a small role for the government in economic development. The king wanted the people to show self help, and rejected strong government intervention.

For commerce and industries to flourish and grow, the proper business men, men of integrity, to direct commercial and industrial concerns must be forthcoming as well as a sufficient number of labourers. If people in our own country would only realise this elementary truth, there would be a little more energy among our Siamese business men, and a little less fanciful talk. What is the use of always blaming the Government for not making industries flourish in Siam? What do you think business men are there for? Do you think all you need to do is to look like splendid millionaires, and lo! about in your arm-chairs planning the latest additions to your gorgeous mansions?If you do not help yourselves, how could you expect the Government to help you?⁹⁹

Although it can be said that Rama 6's economic nationalism was an official nationalism, what was its relationship to the economic nationalism of the press before and after 1932, and to the economic plans after 1932? One important point is that the later economic nationalism was advocated by the public, mostly the middle class. The early 1930s, after the onset of the world depression, saw articles and leaders voicing economic nationalism in various papers.¹⁰⁰ After 1932, petitions from the public exhibited strong

⁹⁷ Benedict Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, London, New York: Verso, revised.ed., 1991, p.101.

⁹⁸ See a summary of the essay in Walter F. Vella, *Chaiyo! King Vajiravudh and the Development of Thai Nationalism*, Honolulu: University of Hawaii Press, 1978, pp.172-3.

⁹⁹ Ibid., p.173.

¹⁰⁰ Atcharaphon Kamutphitsamai, *Panhaphainaisangkom Thai kon kanpatiwat 2475: Phapsathon cakngankhienthangnangsuphim* (Social Problems in Thai Society before the 1932 Revolution: From the Aspect of Newspaper writings), Bangkok: Sathaban Thai Khadisuksa (Thai Khadi Research Institute) Thammasat University, 1989, pp.286-319.

economic nationalism. Thus by 1932, economic nationalism was clearly felt among the people. Although the public, or middle class, did not possess a vivid economic nationalism, they exhibited anti-foreigner or anti-Chinese feelings in the press and petitions. H.G. Deignan, an American missionary in Siam during the 1930s:

During the decade just past the Government has initiated a positive program aimed at raising the standards of living of the common people and especially of the peasants who constitute the great majority.....The political aspect of the program leaned heavily toward economic nationalism, in an endeavour to counteract the excessive proportion of foreign capital in the country and to encourage more active participation by the Thai in the building-up of their own land.¹⁰¹

Terwiel also has much to say on the origins of nationalism in Thailand.

It has also been argued that historians of Thailand have tended to describe nationalism as being a feature of specific reigns and rulers, and that this practice appears to have had a detrimental effect on the study of Thai nationalism as a whole. The history of the various stages of an ideology such as Thai nationalism is not served by this 'on-off' approach. It is much better studied as a phenomenon that, once arisen (and we have argued for its origins to be placed in 1893), moves, changes and develops as one of a range of competing ideologies. Even in the case of particular rulers having an extraordinary preoccupation with nationalism, such as Rama VI, élite-directed nationalism became significant in Thailand's general history mainly because it met with a receptive audience.¹⁰²

Neither is the 'on-off' approach sufficient to explain the continuity of economic nationalism, from the reign of Rama 6 to Rathaniyom in 1939. It is important to focus on the continuity and development of the ideology. For example, Luang Wichit Wathakan, who played an important role in promoting Rathaniyom under the Phibun government, had favoured a free - market approach and *laissez-faire* private enterprise development in August 1932. His views appeared in an editorial in *Thai Mai*:

We should follow a liberal policy. The government should not establish factories by itself, but rather set down guidelines and let the private sector get on with things....We only

¹⁰¹ B.J. Terwiel, 'Thai Nationalism and Identity: Popular Themes of the 1930s', in Craig J. Reynolds (ed.), *National Identity and its Defenders: Thailand, 1939-1989*, Chiang Mai: Silkworm Books, 1993, p. 137.

¹⁰² *Ibid.*, p.144.

want the government to provide us with a stable, secure framework to work in, then we can do things for ourselves. This way is fully in accord with our assertion that we have become independent or Thai [*som kap thi rao rong kan wa rao dai itsaraphap ru'pen Thai tem thi*]. If, on the other hand we look to the government to find us work, we are not really free.¹⁰³

As already noted, there is an argument whether the origins of economic nationalism can be found during Rama 6, around 1932, in the economic plans after 1932, or in Rathaniyom, introduced by Phibun in 1939? But there was a continuity in economic nationalism, regardless of the various ideological differences of these periods. However, there is a vital question - how did ideas develop or relate to each other in different periods?

Economic nationalism in Thailand can be divided into two aspects: anti-foreigner, especially European, and anti-Chinese. It might also be pointed out that economic nationalism in Thailand was negative. It was not applied to nation-building, as in Japan, which aimed to create a powerful country with a strong economy and a strong army. The reason for this weakness is that the People's Party did not have concrete aims before taking power. In spite of announcing its six principles the government did not foster industry and commerce until 1939. Why did it take such a long time to implement economic nationalism after the revolution in 1932? It is not possible to argue that Phibun created his own ideology of economic nationalism, which aimed to eliminate the Chinese and secure strong state intervention in the economy. These ideas had already appeared in various economic plans after 1932. On the other hand, anti-foreigner, anti-European, feeling was not as strong as anti-Chinese. Siam's economy at that time relied on Europeans, especially the British, not least the Financial Adviser, and this would make it difficult for the government to confront foreign

¹⁰³ Scot Barmé, *Luang Wichit Wathakan and the Creation of a Thai Identity*, Singapore: Institute of Southeast Asian Studies, 1993, p.77. See his economic views, pp.75-79. Wichit had several occupations in 1932: civil servant in the Ministry of Foreign Affairs, part-time lecturer at Chulalongkorn University, editor of *Thai Mai*, and writer for *Duang Prathip*.

interests. It was only during the war that the government challenged European economic dominance.

In its ideological aspect, economic nationalism's main concern was to weaken the vested interests of the old regime, the royal family and khunnang class. To put it another way, there was no policy to foster manufacturing industry or commerce, in spite of emphasising self-reliance. However, in the mid -1930s, several projects, such as a cotton mill, paper mill and sugar mill were established as state enterprises (see table 5-10). These projects aimed to increase self-sufficiency.

It will be realised that these industrial ventures, few as they are, are still in their infancy. At the same time they have been the subject of wide publicity and discussion and there is reason to suppose that, should these initial efforts meet with success and money become more plentiful, capital will be more readily forthcoming for the operation of wider schemes.¹⁰⁴

There are several important points to be made about anti-Chinese policies. The Chinese were targeted because they dominated commerce, trade and industry. The government used the Immigration Act or the Registration of Aliens Act to curb the number of immigrants from China during the 1930s, and in 1939 discrimination against Chinese economic activities was increased through the Salt Act and the Tobacco Act. Why did the government wait until 1939 to implement anti-Chinese laws? The answer is difficult to find because it depends on circumstantial evidence. The two important figures, Pridi and Phibun, shared the same ideology for state intervention in the economy. However, their economic interests were different, Pridi wanted to promote Thais in business while Phibun sought self-sufficiency in order to prepare for the war. Pridi noted:

We may compare our Siamese people to children. The government will have to urge them forward by means of authority applied directly or indirectly to get them to cooperate in any kind of economic endeavour. If we continue to go along in the old paths, our revolutionary change of government will have accomplished nothing of value because we will not have attained our most important objective, which was to correct the grievances of the people. The

¹⁰⁴ Crosby to FO No.30, enclosing Annual Report for 1934, 30 January 1935, F1931/1931/40, FO 371/19378, PRO.

plan which we are to use should rest on the best knowledge of our day, on a well-coordinated policy, and on a definite method of procedure. Socialism is such a scientific system.¹⁰⁵

In this chapter, there were three main points. First, the analysis of the evolution of the Siamese Chamber of Commerce illustrates the limitation of the political and economic power of the new type of merchants, the Pho Kha Thai. Although their ideas, Siamese business for Siamese people, were new, their commercial background as small or medium sized merchants did not bring them direct influence on the government. The Siamese Chamber of Commerce failed to function as a commercial pressure group.

Second, the mass media played an important role before and after 1932. The major newspapers were important in expressing the concerns of Siamese intellectuals and the middle class. It is also important to note that serious arguments over economic issues often appeared in the mass media before 1932.

Lastly, the origins of economic nationalism were discussed, whether they are to be found in the reign of Rama 6, around 1932, or from 1939. The continuity and discontinuity between each period of economic nationalism will be examined in Chapter 8.

¹⁰⁵ K.L. Landon, *The Chinese in Thailand*, New York: Russell & Russell, reissued, 1973, pp.175-6.

Table 5-1. List of authors

Name	Origin	Education	Career
1. Mangkorn Samsen 1888 - 1947	Chinese merchant	Law School	public prosecutor, lawyer, owner of various businesses, rice mill, coconut oil plant, mining, sugar cane plantation and refining plant, M.P.
2. Pridi Phanomyong 1900-1983	a commoner	Law School France 1920-27 B.A. in law at Cane PhD in law and diploma in political economy at Sorbonne	Promoter (leader of civilians) Cabinet Minister Minister of Interior, 1934-36 Minister of Foreign Affairs, 1936-38, Minister of Finance, 1938-41, P.M. 1946
3. Phra Sarasas 1889-1966	a commoner	France 1923-32 studied economics and other social science at Sorbonne	a teacher at Royal Military Academy, a diplomat in the 1920's, exile in France 1925-32, Minister of Economic Affairs, 1934, stay in Japan 1936-41, and 1942-45
4. Phya Mano 1886-1948	Sino-Thai	Law School 1902-3, England, barrister at law	Lawyer, Judge in Supreme Court, P.M. and the Minister of Finance, 1932-3
5. Phra Komarakun 1891-1961		England 1910-16 LSE, barrister at Law	Privy Councillor, 1927, Minister of Finance, 1929, M.P. 1933, President of Economic Council, 1933
6. Luang Wuthithamnethikorn 1893-1967		Law School	a judge in provincial courts, 1930-47
7. Wilat Osathanon	Sino-Thai businessman	England	civilian promoter, Siamese Trade Commissioner, HK, 1937-9, Cabinet Minister, 1939-41
8. Boriphanyutthakit 1893-1970		Royal Military Academy, 1906 Germany	Minister of Economic Affairs, 1935

(Source) Various cremation books.

Table 5-2. Number of new periodicals and newspapers 1868-1934			
Period	Rama 5 (1868-1910)	Rama 6 (1910-1925)	Rama 7 (1925-1935)
Periodicals	47	127	96
Newspapers (Daily)	17	22	60
(Source)	Periodicals and newspapers printed in Thailand between 1844-1934 a bibliography, Serial Unit National Library, Department of Fine Arts, Bangkok, 1970.		

Table 5-3. Length of publication of newspapers 1910-1934		
Period	Rama 6 (1910-1925)	Rama 7 (1925-1934)
unknown	2	37
less than 1 year	9	10
1 year	1	8
2 years	4	1
3 years	0	2
4 years	2	1
5 years	1	0
6 years	2	0
7 years	0	1
9 years	1	0
Total	23 *	60
* Sayam Rasadorn (Thai) was published from 2463 (1920) to 2468 (1925) and from 2474 (1931). Therefore the length of publication is counted twice.		
(Source)	Same as Table 5-2.	

Table 5-4. Number of newspapers founded per year.

2453 (1910/11)	1
2454 (1911/12)	1
2455 (1912/13)	0
2456 (1913/14)	1
2457 (1914/15)	1
2458 (1915/16)	1
2459 (1916/17)	0
2460 (1917/18)	0
2461 (1918/19)	1
2462 (1919/20)	3
2463 (1920/21)	1
2464 (1921/22)	1
2465 (1922/23)	4
2466 (1923/24)	4
2467 (1924/25)	2
2468 (1925/26)	4
2469 (1926/27)	8
2470 (1927/28)	6
2471 (1928/29)	3
2472 (1929/30)	4
2473 (1930/31)	5
2474 (1931/32)	6
2475 (1932/33)	18
2476 (1933/34)	6
(Source) Same as Table 5-2.	

Table 5-5. Literacy and illiteracy figures in 1911 and 1937.				
	1911		1937	
	persons	%	persons	%
Total population	8, 266, 408	100	14, 464, 105	100
Males	4, 122, 168	49.9	7, 313, 584	50.6
Females	4, 144, 240	50.1	7, 150, 521	49.4
Literate*	922, 728	11.2	312, 1781	21.6
Males	833, 972	10.1	2, 387, 359	16.5
Females	88, 756	1.1	734, 422	5.1
Illiterate	6, 412, 509		6, 879, 007	
Males	2, 781, 284		2, 668, 620	
Females	3, 631, 225		4, 210, 387	
* The figure of literacy in 1911 of 11.2% is almost certainly too low, for it excludes the population of Bangkok where, presumably, literacy rates were higher than in the country as a whole. Consequently the 'improvement' in literacy, to 21.6% in 1937, was less substantial than these figures indicate.				
(Source) C M. Wilson, <i>Thailand: A Handbook of Historical Statistics</i> , Boston: G.K.Hall 1983, pp.30-31.				
Table 5-6. Students and Teachers, by Education Level, 1920s and 1930s.				
	Students*			
Year	Total	Primary	Secondary	Special**
1920/21	181, 946	169, 148	12, 220	578
1921/22	217, 247	202, 748	13, 734	765
1925/26	592, 297	573, 052	17, 984	1, 261
1930/31	677, 699	656, 553	19, 053	2, 093
1935/36	1, 152, 242	1, 081, 978	37, 118	33, 146
1939/40	1, 689, 962***	1, 629, 769	50, 418	9, 775
	Teachers			
Year	Total	Primary	Secondary	Special
1920/21	5, 076	4, 348	709	19
1921/22	5, 730	5, 021	683	26
1925/26	11, 921	10, 884	923	114
1930/31	14, 297	13, 172	987	138
1935/36	24, 059	21, 119	1, 831	1, 109
1939/40	48, 550	44, 863	2, 710	977
* Does not include students in private schools.				
** Includes students taking courses in agriculture, commerce, arts and crafts, and domestic science after having completed lower secondary school.				
*** Includes 32 students enrolled in the first kindergarten class.				
(Source) Same as Table 5-5, pp.65-66.				

Table 5-7. Newspaper Acts				
Period	Character	Content	Result	
1919	mild censorship	every paper had to submit two proofs of all articles of a military nature, and all criticism of the bureaucracy was forbidden.		
1927	more severe	Section 18. editors were required to have passed Matthayom 6. Section 19 forbade the press to publish articles which may be against public order and good morals, or which were aimed against foreign powers with treaty relations with Siam.	The <i>Sri Krung</i> was the first paper to be suppressed. Later, two other papers were closed down.	
1934		raised the educational requirements for editors. a new regulation in June subjecting editors, publishers and printers to penalties under the censorship law.	Ten newspapers were closed down either temporarily or permanently from 2 June to 29 November 1932. The government closed down newspapers 17 times from May 1933 to April 1934.	
1938	greater freedom for the press	the registration of printing press was no longer compulsory. But the names of the publishers and editors still had to be registered. The period of closing down a paper by the Press Office was limited to a month, and for a longer suspension, the approval of the Minister of the Interior was required.	In 1939 nine of ten Chinese newspapers were closed down for advocating a boycott of Japanese goods.	
(Source) Virginia Thompson, <i>Thailand: The New Siam</i> , New York: Paragon, 2nd ed., 1967, pp. 790-800.				
Atcharaphon Kamutphisamal, <i>Panlaphainaisangkhor Thai kon kampatwat 2475: Phapsathon cakngankhenthangrangsuphim</i> (Social Problems in Thai Society before the 1932 Revolution: From the aspect of Newspaper writings), Bangkok: Sathaban Thai Khaduksa (Thai Khadi Research Institute) Thammasat University, 1989, pp. 422-435.				

Table 5-8. Siamese Newspapers					
Name	Date Founded	Date Finished	Owner	Circulation*	Political Stance
A. Thai Newspapers					
1. Chin nai Sayam Warasap	2450 (1907)	2466 (1923)	Siawhudseng Sibunruang		
2. Nangsue Bimb Thai	2451 (1908)				
3. Krungthep Daily Mail	2451 (1908)	2476 (1933)	Siam Free Press		
4. Sayam Rasadorn (Siam Citizen)	2463 (1920) 2474 (1931)	2468 (1925)	Sukri Wasuwat	unknown	Cheap edition of the Srikung
5. Bangkok Kamnuang	2466 (1923)	2475 (1932)	Hom Ninlarat Na Krungthep		
6. Sri Krung	2469 (1926)		The Srikung Press		Sensational, neutral towards foreign countries
7. Thai Num	2469 (1926)	2476 (1933)	Hom Ninlarat Na Krungthep		
8. Lak Muang	2470 (1927)		T Buntiyam		

9. Charoen Krung	2472 (1929)	T Buntiyam		
10. Thai Mai (New Siam)	2473 (1930)	Banchong Srisuchat	about 8,000	Commercial
11. Issara (Independent)	2470 (1930)	T Buntiyam	about 3,000	Liberal
12. Krungthep Warasap (Bangkok Opinion)	2475 (1932)	Phaiphee Wityakan Co.	about 5,800	Critical of present regime, neutral towards foreigners
13. Pracha Chat (The Nation)	2475 (1932)	Pracha Chat Co	about 6,000	Favours present regime, neutral towards foreign countries; conservative.
14. Sao Sayam (Miss Siam)	2476 (1933)	Banlun Piyaamphongsan	unknown	Conservative.
15. Dao Nakorn (City Star)	2476 (1933)		about 3,000	Organ of the military faction, inclined to be sensational. Little political, commercial, or police news.
16. Doed Rathadharmanum (The Constitutionalist)	2477 (1934)		about 5,000	Favours present regime; nationalistic.
17. Khao Sayam (Siam News)	2477 (1934)		about 4,500	Nationalistic.
18. Phadung Chat (The Nation's Preserver)	2479 (1936)		about 2,000	Liberal.

19. Pramuan Wan (The day's News)	2479 (1936)			about 6,700	Conservative, reactionary.
20. Rasadorn (The People)	2479 (1936)			unknown	Liberal, progressive.
21. Siam Nakorn (Siam City)	2479 (1936)			about 2,000	Sister paper to the Chronicle; liberal, progressive.
22. Sri Wan (Good News)	2479 (1936)			about 2,500	Moderate.
23. Naew Thai (Outlook of the Thai People)	2480 (1937)			unknown	Not yet defined.
B. Chinese Newspapers					
1. Chin nai Sayam Warasap	2450 (1907)	2479 (1936)	Siawhudseng Sibunruang		
2. Tong Hua Min Pao	2454 (1911)		Siang Laousiang	about 5,000	
3. Wob Kiew Yit Pao	2472 (1929)			about 6,000	
4. Wab Sen Yit Pao	2477 (1934)			about 7,000	
5. Bangkok Morning News	2477 (1934)			about 5,000	
6. Hwa Siew Yer Pao	2478 (1935)			about 1,000	
7. Min Kok Yit Pao	2478 (1935)			about 5,000	

Table 5-9. Major journalists with pseudonyms.					
Real name	Pseudonyms	Newspapers and Journals	Content		
1. King Vajiravudh	Asvabahu ("horseman")	The Siam Observer, from 5 August to 31 December 1912			
		Samutthasan 9, (September 1915)	"Sapasat"		
		Nangsuphim thai, 17 July 1915	Letter to the editor.		
		Samutthasan 1, (January 1915)	"Khopchi phuan chin"		
	Ramachitti ("the wisdom of Rama")	Samutthasan 8, and 9 (August 1915 and September 1915)	WWI, pro-Allly; Anti German.		
		Nangsuphim thai, (from 7 July to 21 July 1917)	Anti-German		
		Dusit samit 2, no. 16 (1919)	Anti-German		
	Phan Laem ("thousand-pointed")				

	Sukhrrip	(the name of a monkey king in the Rammakian who assisted Rama")							
2. Prince Sithiporn	Kasikorn	(The Cultivator)	Phim Thal	22 October 1928		Road construction			
				23 October 1928		same			
	Title Series			28 October 1928		Chinese problem			
	Khwanhen Banathikan Kasikorn			29 October 1928		same			
	(Opinion of editor of Kasikorn)			1 January 1929		road and industry			
				3 January 1929		industry			
				4 January 1929		same			
			Daily Mail						
				14 December 1928		road construction			
				15 December 1928		same			
				16 December 1928		same			
				18 December 1928		Chinese problem			
				19 December 1928		road and railway			

	Cultivator	14 January 1932	Introduction	
		16 January 1932	exchange rate	
	Siam's Economic Problems	12 February 1932	balance of trade	
		4 March 1932	Chinese problem	
		5 March 1932	Eliminate Chinese middleman and the EAC scheme	
		11 March 1932	set-up warehouse	
		12 March 1932	organisation and financing	
3. Phra Sarasas	555	Thai Mai	Title	
		16 March 1933	Yage Sethaphai	
		13 March 1937	Khon Chin Ngan Thai	
		6 May 1937		
		7 May 1937	same	
		5 August 1938	Sethakit khong Chat	

[illegible]

Table 5-10. State Enterprises and State-sponsored Companies in Thailand 1935-1940					
Name of Company	Established Year	Reg. Capital (1,000 baht)	Major Shareholders or Supervision		
Rice Industry					
Thai Rice Co. Ltd	1938	500	M. Finance and M. Economic Affairs, 75%		
		1,500*			
The Thai Navigation Co. Ltd	1940	3,000	M. Economic Affairs, 70%		
The Thai Maritime Navigation Co. Ltd	1940	10,000	Govt, 100%		
Trading and Agriculture					
The Thai Niyom Panich Co. Ltd	1939	1,000	Govt, 71%		
The Changwat Panich	1940		Govt, 51%		
The Thai Fisheries Co.	1940	1,000	M. Agriculture, 99.3%		
The Thai Salt Co. Ltd	1940	1,000	M. Finance, 60%		
Manufacturing and Mining					
Siam Cotton Mill	1935	State Enterprise	M. Defence		
Siam Paper Co. Ltd	1935	1,000	M. Defence, 100%		
Thai Iampong Sugar Mill	1935	State Enterprise	M. Economic Affairs		
Phisanulok Textile Factory	1939	State Enterprise	M. Defence		
Mines Organization	1939	State Enterprise	M. Defence; M. Industry (1943-)		
Playing Cards Factory	1939	State Enterprise	M. Finance		
* Increased in 1939.					
(Source) Akira Suehiro, <i>Capital Accumulation in Thailand 1855-1985</i> , Tokyo: Centre for East Asian Cultural Studies, 1989, p.124.					

The Co-operative Movement in Siam

This chapter considers the history of the development of co-operatives in Siam, the problems and obstacles they faced, and lastly the ideas or thought behind co-operatives.

6.1. The Development of Co-operatives

In this part several fundamental questions are raised. How do we understand the origin of co-operatives in Siam? Is it related to economic nationalism in Siam? What was the main purpose in establishing co-operatives? Was it to eliminate the Chinese middlemen and money-lenders, or to foster economic development? As there were different types of co-operative, why did the Siamese choose one rather than another? To what extent were foreigners, including foreign advisers, involved in the co-operatives?

The first co-operative society in Siam was the Wat Chad society on the outskirts of Pitsanulok, established in 1917. However, the origins of the co-operative can be traced back to the reign of Rama 5 (1868-1910). One of the reasons for its establishment was the poverty of the farmers who were required to invest in agricultural tools and land to meet the demand for rice for export. They had to rely on money-lenders for capital. During the reign of Rama 5, the Siamese Government tried to provide agricultural credit for farmers through the establishment of an agricultural bank, but this idea failed because of lack of security and management control. In the early part of the reign of Rama 6 (1910-25) there were proposals for the establishment of either co-operatives or a savings bank. For example, the national archives

file, R6. Kh15/5, contained proposals for the establishment of a savings bank and a co-operative society in order to alleviate the poverty of the farmers.¹ There the term 'co-operative', in Thai, *Sahakon*, was not used, but *Muupenkhan*. In 1912 the Belgian, O. Collet, proposed the creation of a mortgage bank.²

Rice, being almost the only source of the revenues of its people, is the object of an important export-business..... In spite of the wonderful richness of the soil, the rule of mono-cultivation, which has prevailed, makes that Siam is too much dependent from the only result of her rice-crop..... Important capital advanced at normal conditions would permit the development of the culture which is now existing, as well as the creation of new agricultural industries, sugar, cotton, etc. The latter would bring to the ploughman a new source of revenues and to the State new taxes, which are necessary for the general development of the country. The creation of a mortgage bank would answer this aim, for, incorporated with a new country, the credit on mortgage is always the principal factor of new initiative.³

This proposal was rejected by the government for several reasons, including the lack of familiarity with banks among farmers. As farmers were not familiar with banks, having a few banks would not produce much of an impact on the countryside. Gambling by farmers was also a factor, for it meant that they would not be willing to deposit their money in a bank.

Another turning point came when the Siam Commercial Bank had serious financial troubles, caused by the failure of the Chino-Siam Bank in December 1913.⁴ At that time the Ministry of Finance considered turning the Siam Commercial Bank into a loan bank through government finance. This idea came in 1914 when the Ministry of Finance invited Sir Bernard Hunter, the manager of the Madras Bank, to offer advice on the financial crisis. Hunter made two proposals, the establishment of a National Loan Bank and

1 R6 Kh15/5. N.A. Minister of Agriculture to King, 1 February 1912.

2 Ibid.

3 Ibid. (This is a direct quotation, please note the English is incorrect.) O. Colet's Mortgage Bank Plan written in English is filed here.

4 *Borisat Beng Sayam Kammanjon Thunjamkat plianpen Thanakhan Thaiphaniit camkat, Anuson 60 Phi*, (The Change from Siam Kammacon Co. Ltd. to Siam Commercial Bank Ltd., memorial 60 Years), Bangkok: Thai Khasem, 1967, pp.26-34.

of cooperatives.⁵ The first involved setting up a National Loan Bank with a capital of 6.5 million baht, through government finance to the Siam Commercial Bank.⁶ This proposal was strongly opposed by the Siam Commercial Bank, as Siam would lose its only commercial bank and exchange bank. In the second proposal, Hunter described a feature of Siamese society as 'co-operation'. Krommunphityalongkon, the first Director-General of the Department of Commerce in the Ministry of Finance, translated 'co-operation' as 'Sahakon'. In 1915 a Cooperative Division was set up under the Department of Commerce and Statistics in the Ministry of Finance. In summary, in this early stage, the idea of cooperatives was developed alongside proposals for the establishment of a loan bank.

The purposes of establishing co-operatives were varied. Firstly, it aimed to provide credit for indebted farmers. In Siam the debt of farmers had been a big issue, as there was no state financial institution to provide credit. In general farmers were forced to rely on money-lenders, who charged high interest rates. A book published by the Ministry of Commerce and Communications in 1930 noted:

The reason why borrowing money from private money-lenders affords no prospect of advancement is that the money-lender is usually lending out money on indifferent or poor security to the individual cultivator, and therefore has to charge a high rate of interest as insurance against loss; whereas an organised credit institution, such as a Bank, will only lend money on good security and can therefore rest content with a moderate rate of interest.⁷

Zimmerman's rural economic survey in 1930-1931, and Andrew's 2nd rural

⁵ 'Phrawatikan sahakon nai prathet Thai' (The Development of Co-operatives in Thailand) in *Khroprong 60 pi khong ngansahakon* (Memorial of 60 years of cooperative), Bangkok: 1977, pp.10-11.

⁶ K.Kh.0301.28/12. N.A. See the Memorandum on Sir W.B. Hunter's Report on the Establishment of a National Bank for Siam, in August 1922, by G.H. Ardron, the manager of the Siam Commercial Bank. See also 'Financing of the proposed extension of the Co-operative Credit Movement.'

⁷ Ministry of Commerce and Communications, *Siam: Nature and Industry*, Bangkok: 1930, p.252.

economic survey in 1934-1935, showed how farmers were being exploited by money-lenders who demanded high interest rates, and also suffered from the poverty of the soil.

Secondly, the co-operatives appeared to aim at the elimination of the middlemen. In general middlemen purchased paddy from farmers to sell to rice millers. The problem was that the farmers were usually indebted or in a bad financial position, and therefore were forced to sell their paddy cheaply. Farmers could not hold back paddy to wait for higher prices because of a lack of silos or warehouses. Thus middlemen made high profits. The official documents on co-operatives did not show exactly how to get rid of middlemen. However, this was an important issue discussed in government, as Phraya Jotuk's proposals showed.⁸

Thirdly, co-operatives aimed to increase the productivity of agriculture. As agriculture was the backbone of the Siamese economy, it was vital to tackle the problems of farmers in order to promote agriculture. Farmers lacked not only working capital and sufficient equipment but also fertiliser, improved seed and agricultural knowledge. A pamphlet on the Co-operative Credit Movement, published by the Department of Commerce and Statistics in 1915, explained:

Agriculture in Siam is, today, seriously handicapped from the lack of sufficient capital to fully develop the resources of the soil. For efficiency and economy of production easy access to capital at moderate rates of interest is essential.⁹

This pamphlet, written by Prince Bidyalongkorn (Krommunphityalongkon), was presented at the first meeting on cooperatives held at the Ministry of Finance in November 1915. Consisting of 18 pages, it was written to

⁸ R7. Ph.7/14. N.A. Discussion and recommendation on Phraya Jotuk's proposals. The sub-committee of the Board of Commercial Development discussed Jotuk's proposal on 22 January 1931. Also see K.Kh.0301.1.32/8. N.A. 'Proposal by Phya Jotuk, Director in the Department of Local Chinese Affairs, to foster Siam's Rice Industry.'

⁹ *Bangkok Times*, 2 December 1915. A summary of a rough translation of this pamphlet can be seen in *Bangkok Times*, 2 December 1915, 'Co-operative credit in Siam'. Other abstracts of the pamphlet can also be seen in *Bangkok Times*, 3 December 1915, and *Siam Observer*, 3 December 1915.

establish the basic principles of cooperatives.

Lastly, the establishment of co-operatives had connections with the economic nationalism of Rama 6. As agriculture was the economic backbone, it was essential to protect agriculture, especially rice cultivation, for Siamese farmers. Walter F. Vella has identified three approaches in the economic nationalism of Rama 6.¹⁰ The first was the introduction of an arts and crafts curriculum into schools, aimed at the creation of a new class of craftsmen, who would encourage Thais to buy local products. A second approach was to provide credit to farmers in order to reduce their dependence upon Chinese money-lenders. This would involve the establishment of a National Saving Bank in 1913, and the creation of credit co-operatives in 1917. A third approach involved direct government sponsorship of new economic enterprises, such as the Siam Cement Company in 1913 and the Siamese Steamship Company in 1918.

However Rama 6's thinking on economic nationalism was sometimes contradictory. For example, the king emphasised anti-Chinese feeling and told the Siamese to purchase not foreign but Siamese products. Vella notes:

In an essay of 1915 whose title translates into English as "Wake Up, Siam", the King dealt exhaustively with the theme of the economic dimensions of nationalism. The essay started with a definition of the problem. At one time, Vajiravudh wrote, the Thai people produced the articles they needed. With the advent of peace and prosperity, the expansion of foreign trade, and immigration of Chinese labourers, the Thai came to rely excessively on foreigners. Foreign imports drove Thai manufactures out of the market. Cheap foreign labour replaced Thai workmen in many crafts and industries. The Thai accepted the new emergent economy because it was convenient. The Thai, who "by nature do not like to work hard", were content to leave manual labour to the Chinese. The Thai became lazy, giving up skills they once had, depending on foreigners for products they once made. Locally, the Chinese took over food marketing in Bangkok; they dominated the construction industry and carpentry

¹⁰ Walter F. Vella, *Chaiyo! King Vajiravudh and the development of Thai nationalism*, Honolulu: University of Hawaii Press, 1978, pp.171-172.

trades. The international market supplied machinery, petroleum, benzine, coal, sugar, and cloth. Some of these imports were necessary, but not all. Petroleum for lamps could be replaced by locally produced coconut oil. Homegrown castor oil could easily supplant imported lubricating oil. Siam had once been self-sufficient in sugar and cloth and could be again. The disadvantages in economic dependence were apparent enough in peacetime; they would expand manifold in wartime and make Siam extremely vulnerable.¹¹

But the King did not recognise the poverty of the farmers. He thought that Siam was in a good economic condition.

The King took strong exception to the "loud laments" that the Thai peasantry was impoverished and exploited. The Thai were not poor: there was no starvation in Siam; the people even had money enough to indulge in gambling. The "so-called poor people in Bangkok", he said, "are quite rich" compared with the urban poor in Europe. As for people in the countryside, "Our provincial people do not lack necessities; they have got decent roofs over their heads, and ground to till and cultivate". The only "poor" people in Siam were the extravagant spenders in Bangkok whose luxurious tastes ran beyond their means.¹²

Secondly, the economic nationalism launched by Rama 6 had its limits. The persistence of the Sakdina system and of imperialism forced the Siamese economy to be dependent on Chinese and foreigners. It also meant that insufficient state money was allocated to economic development. The external threat to Siam was so great that defence was more important than economic development. The lack of fiscal autonomy as a result of the Bowring Treaty of 1855 made it difficult for the Siamese government to raise revenue. Thirdly, the Sakdina system meant that the Siamese élite, the royal family, high officials, some prominent merchants, protected their vested interests rather than pursue economic development. These points were discussed in chapter 2.

The history of the first co-operative society in Siam can be traced back to 1917. There are many documents on the cooperative movement in the

11 *Ibid.*, pp.172-173.

12 *Ibid.*, p.170.

National Archives.¹³ Siam adopted credit co-operatives. Before explaining why, it is useful to see the aims of the co-operatives as explained in a book published in 1915 by Prince Bidyalongkorn: to provide credit at cheap interest in order to relieve the capital shortage, to train the people to help each other, to teach people thrift, to improve the morals of the people, encouraging them to refrain from gambling and drinking, and to provide an education.¹⁴ This pamphlet pointed out the main advantages of co-operatives for farmers. The main principle was co-operation - mutual help was repeatedly stressed, with many examples, such as in borrowing money, purchasing rice, seed selection, acquiring agricultural equipment and selling rice. It is important to note that the government took the initiative in promoting co-operatives, but stressed voluntary participation by the farmers. Government intervention in the co-operative was limited, and the decisions of the co-operative committee were respected. The membership of each co-operative was limited to 50 people. Selecting members involved the following considerations:

- (a) members must all live in the same village;
- (b) they must know one another well;
- (c) they must be persons of good reputation, and not easily given to

¹³ Documents on co-operatives are filed under various Ministries, such as Agriculture, Finance, Commerce and Communications, the Interior, and Chief Secretary to the Cabinet. *The Record*, published by the Ministry of Commerce and Communications in English, reported on the co-operative movement fourteen times from October 1922 to 1937. There is a MA thesis on the co-operative movement during the reign of Rama 6 and 7 by Pranee Glumsom, 'Kankaepanha setthakit thi kiawkap chawna doywithikan sahakon nairatchasamai Phrabatsomdetphra Mongkutklaocaoyuhua lae Phrabatsomdetphra Pokklaocaoyuhua' (Cooperative measures in solving economic problems related to peasants during the reigns of King Rama VI and King Rama VII), Department of History, Graduate School, Chulalongkorn University, 1986. See also the history of the cooperatives in *50 pi khong Sahakon nai phrathedt Thai* (50 Years of Cooperatives in Thailand), 1967, sahakon kaisong heng prathet Thai.

¹⁴ Pranee Glumsom, 'Kankaepanha setthakit thi kiawkap chawna doywithikan sahakon nairatchasamai Phrabatsomdetphra Mongkutklaocaoyuhua lae Phrabatsomdetphra Pokklaocaoyuhua' (Cooperative measures in solving economic problems related to peasants during the reigns of King Rama VI and King Rama VII), Department of History, Graduate School, Chulalongkorn University, 1986, p.68. This book was titled *Sahakon*, and was written by Phraratchawongtho Krommunwithyalongkon in 1915.

quarrelling;

(d) some at least must be able to read and write, for the purpose of acting on the committee and keeping the society's accounts.¹⁵

The management of the co-operative was entrusted to a committee, consisting of six members, including a chairman, treasurer, secretary, and three others. The pamphlet did not provide detailed information on funding, so that government financial assistance was not clear. The pamphlet noted that the security was personal, meaning that when a member needed a loan, two other members should act as guarantors.

The first type of co-operative society in Siam was Raiffeisen, which originated in Germany. The reason why this type was selected was that the government considered it vital to provide capital for the farmers. The principles of the Raiffeisen co-operative were unlimited liability, limited physical area, non-profit sharing and free services. The work was initially undertaken by the Co-operative Division of the Ministry of Finance in 1915. The problem of financing was solved by an advance of 300,000 baht from the Siam Commercial Bank, guaranteed by the Ministry of Finance. The Registrar of Co-operative Societies was empowered to establish and register societies, and to authorise borrowing within the limit cited above. It is important to stress that financial flexibility in establishing societies and advancing loans to members was limited. In other words, the co-operative movement was an experiment from the start. The first co-operative society was established in Pitsanulok, a poor area with low population and lack of capital. Initially two places, Lopburi and Pitsanulok, were considered. The *Record* notes:

It was ultimately decided to employ part of the money in relieving the wants of a group of villages in the Lopburi district, which is thickly populated, and where the cultivation of rice is being commercially developed to an ever increasing extent, and where the farmers are

¹⁵ 'Report of the Co-operative Movement in Siam', *Record*, No.6, October 1922.

systematically exploited by the money-lender: and the other part in providing capital to a group of villages in the Plitsanulok district, which is sparsely populated and where the people, who are poor, have but lately migrated from the South. The idea in this latter case was to use the organisation thus formed as a basis for future colonisation, as vacant land is plentiful and the cost of clearing it does not require a large amount of capital.¹⁶

When the first co-operative was established, no special law was enacted, only an amendment to the Law of Association, passed in 1916. This limited the co-operative to a credit co-operative only. Expansion in activities became possible only with the Co-operative Societies Act, 1928. Then the Co-operative Societies Amendment Act, 1933, and the first and second Co-operative Societies Amendment Acts, 1934, were promulgated.¹⁷ Among the amendments the most important was to increase the funds available for establishing cooperatives from the Treasury.

Table 6-1 shows the expansion of co-operatives from 1916/17 to 1925. The early history of the co-operative movement in Siam may be divided into two periods, from 1916/17 to 1922, and from 1923.¹⁸ In the first period, co-operatives operated on personal security: this meant that the members were not required to produce property as security, but personal standing acted as the guarantee for a loan. In the second period, material security was used, this meant that a member must transfer to the co-operative the ownership of his land as security for his loan. According to Table 6-1, the expansion of co-operatives varied each year. For example there were no new co-operatives in 1921 and 1922 because of lack of funds. The years 1917 and 1919 were difficult, because of the failures of the rice crop, owing to a flood in 1917 and a drought in 1919, and this pushed the farmers into setting up co-operatives. Yet the expansion was rather slow. The Ministry of

¹⁶ Ibid.

¹⁷ See details in 'Twelfth Report on The Co-operative Movement in Siam for B.E.2476 (1933-34)' *the Record*, Vol.XV, First to Fourth Quarter, 1935 pp.80-1; and 'Thirteenth Report on the Co-operative Movement in Siam for B.E.2477 (1934-35)', *The Record*, Vol.XVI, First to Fourth Quarter 1936, p.82.

¹⁸ The Siamese budget calender was April to March, so that B.E.2459 was April 1916 to March 1917.

Commerce and Communications admitted this:

the progress of the movement may appear rather slow, as only 77 societies had been formed in ten years. It is, however, still in the experimental stage, and working within a very narrow limit of capital. Whenever the amount of borrowed capital approaches the limit laid down by the Government, the formation of new societies has to stop till sufficient capital has been accumulated from the repayment of the loans made to older societies. It will be seen, therefore, that the extension of the movement depends chiefly on the amount of capital available.¹⁹

Table 6-2 shows the development of cooperatives from 1925 to 1944. From this table three points can be made. First, until the constitutional revolution in 1932, the progress of the cooperative movement was slow. Second, after the revolution, the constitutional government promoted cooperatives in order to combat the effects of the world depression. From 1933, more than one hundred cooperatives were established. Third, rapid progress was brought about by Phibun's government from 1938. More financial assistance was available during this period (1939-1944), and the number of cooperatives and members increased rapidly, from 1,797 to 4,747 societies, and from 36,465 to 115,435 members.

One of the main reasons why the constitutional government promoted cooperatives was to deal with the economic depression in the rural areas, caused by a serious fall in the price of paddy. *The Record* reports:

The price of paddy in the rural districts in B.E. 2474 [1931] only came to two-fifth's of that at the beginning of B.E. 2473 [1930], the original price of 50 Baht per kwien having dropped to 20 Baht. In B.E. 2475 [1932] and B.E. 2476 [1933], prices decreased further and one kwien of paddy only fetched one third of the original price quoted before the economic depression.²⁰

Financial assistance to the cooperatives had been mainly provided by the Siam Commercial Bank from 1916 to 1932, and it was only after the revolution in 1932 that government funds were used. The loan from the Siam Commercial Bank was initially for 300,000 baht, with a government

¹⁹ The Ministry of Commerce and Communications, *Siam Nature and Industry*, Bangkok, 1930, p.258.

²⁰ 'Twelfth Report on the Co-operative Movement in Siam for B.E. 2476 (1933-34)' *Record*, Vol.XV, First to Fourth Quarter B.E. 2478, p.81. A Kwien is equal to 2,000 litres.

guarantee. An additional cash credit of 200,000 baht was granted by the Siam Commercial Bank in 1928, bringing the total working capital to 500,000 baht. In 1929 the government increased its guarantee to the Siam Commercial Bank for a further loan of 500,000 baht, making the total working capital 1,000,000 baht. A further 500,000 baht was added in 1932, bringing the total capital of the cooperatives to 1,500,000 baht. The funds available from the Siam Commercial Bank was thus limited to 1,500,000 baht. Loans to cooperatives were limited to this amount. Further loans would be available only by repayments from older cooperatives.

In 1933 and 1934, the annual budgetary allocation to the cooperatives was 700,000 baht; this was increased to 1.4 million baht in 1936, and by a further 1 million baht in 1937. Another source of funds, besides the Treasury and Siam Commercial Bank, became available following cooperation between the Minister of Agriculture and the head of the Savings Bank Department.²¹ A 5.5 million baht loan from the Government Savings Bank, with a Government guarantee, was allocated for 1938 to 1940, with interest at 4.5 % every three months.²² After Phibun became Prime Minister in 1938, further financial assistance was available. *The Report of the Financial Adviser* states:

A new departure in the method of financing the Co-operative Movement was introduced at the beginning of B.E.2483 [1940] by the issue of the 4.5% internal loan of Baht 25,000,000, of which Baht 20,000,000 was reserved for the development of the Co-operative Movement. The first issue was made on the 1st April B.E.2483 [1940] in connection with the debt conversion referred to above.²³

21 Phanit Ruamsil, 'Nayobai kanphatthanasethakit samairathaban comphon Por. Phibunsongkhram tangtae ph. s. 2481 thung ph. s. 2487 (The Economic Development Policy of the Field Marshal P . Phibunsongkhram's Administration, 1938 -1944)', M.A. Thesis, Department of History, Chulalongkorn University, 1978, p.295.

22 Ibid, p.295.

23 *Report of the Financial Adviser in connection with the Budgets of the Kingdom of Thailand for the intraocular year 1st October B.E.2482(1939) to the 31st December B.E.2483 (1940) and the Year B.E. 2484(1941)*, Bangkok Times Press, 1940, p.10.

In addition, the establishment of the Central Credit Institution was advanced by the Co-operative Societies Act of B.E.2486 [1943].²⁴ This institution aimed to provide loans, facilities for deposits and facilities for the settlement of bills among cooperatives.

The world depression increased agricultural indebtedness. As the price of rice as well as the price of land fell during the early 1930's, farmers with loans were in a difficult situation to meet interest and principal payments. Zimmerman's survey in 1930 indicated how much agricultural indebtedness increased in the Central Plain. (This issue will be discussed later.) The government was forced to propose measures to cope with these problems, or it might face a serious political and economic challenge. Two memoranda presented by the Ministry of Agriculture and Commerce in December 1932 showed the government's thinking. The first, on 15 December 1932, consisting of 13 pages in English, and was titled, 'Settlement of Rural Debts in the Provinces By Reconciliation or Conversion, and the Establishment of a Central Bank and Co-operative Societies to finance Farmers'.²⁵ This memorandum described how and why indebted farmers were forced to sell their property:

At the present time, the value of land is very low and therefore very little money is realised when the property is sold by auction. Hence whenever the creditor demands the repayment for the debt, the debtor is left almost without anything, even the very house he lives in. In the end the debtor is regarded as a pauper. The consequence is, some of them rent farms to cultivate while some turn to labourers. At the present time, the position of the debtor is very desperate, and each day time draws nearer when he will have to relinquish the right of ownership. This state of affairs discourages the debtor, he no longer wishes to attempt to make a living, because no capitalist is inclined to make a loan. The consequence is, the farmer has to carry on as the best he can, thus bringing about a gradual degradation of agricultural condition.²⁶

²⁴ Phanit Ruamsil, 'Nayobai kanphatthanasethakit samairathaban comphon Por. Phibunsongkhram tangtae ph. s. 2481 thung ph. s. 2487 (The Economic Development Policy of the Field Marshal P . Phibunsongkhram's Administration, 1938 -1944)', M.A. Thesis, Department of History, Chulalongkorn University, 1978, p.298.

²⁵ K.KH.0301.1.37/72. N.A.

²⁶ Ibid., pp.1-2.

The memorandum also mentions the problems of the creditor who was not able to collect his loans because of the declining value of the land. Selling land by auction would not bring in enough money to cover the loan. In addition, assuming ownership of land, the creditor would have to rent it out. There was no guarantee that the creditor would collect the rent in full because of the severe economic conditions.

This memorandum quotes the figures for agricultural indebtedness in the central provinces from Zimmerman's rural economic survey in 1930. Most of the farmer's loans came from relatives or moneylenders. Loans from relatives were not considered dangerous because they were small and probably had no collateral. The loans from moneylenders in the central provinces were estimated at about 74,000,000 baht by Zimmerman.²⁷ The central provinces consisted of *Monthons* Krunthep, Ayudhya, Pitsanulok, Ratchaburi and Prachin.

In order to deal with agricultural indebtedness, the Ministry of Agriculture and Commerce considered three measures: a moratorium, settlement of debt by the establishment of a government credit institution, and settlement of debt by reconciliation or conversion. A moratorium was considered an easy method, but would not provide a solution. It would not reduce the farmer's indebtedness, because he would be forced to repay in the future. Therefore the moratorium idea was rejected.

The establishment of a credit institution was then considered. As Siam had had the co-operative credit society since 1917, the government considered other types of credit institution, such as the *Landschaften* (Co-operative Land Mortgage Bank) of Germany, the *Credit Foncier* of France, the

²⁷ This figure was calculated as the average debt per family (190 baht) times 650,000 families, making 123,500,000 baht. The average debt per family was based on 600 families surveyed in the Central Region. Of the 123,500,000 baht, two-fifths were loans from relatives, leaving about 74,000,000 baht. Carle C. Zimmerman, *Siam: Rural Economic Survey, 1930-31*, Bangkok: Bangkok Times Press, 1931, pp.199-204.

Agricultural Bank of Egypt, and the Desabank and Deaslombong of Java. However, the government rejected these ideas:

(1) Because of the fall in the value of land, the decrease in the income of the people. At present the amount of the cultivator's debt is higher than the price of land placed as security. Besides the interest which has to be paid is beyond the repaying capacity of the cultivator. (2) This is a time of financial depression and the Government has not sufficient funds to finance credit institutions in their undertaking to repay all the rural debts, because at present the revenue of the Government has fallen and it has to exercise stringent economy.²⁸

Lastly, debt reconciliation, which means to reduce the amount of the debt to a level representing the present value of the land, was examined. Three points were considered. Firstly, the benefits should be considered for both the creditors and debtors. Secondly, the government's financial situation was so severe that government money should be used as little as possible. Lastly, it was important to prevent the country's economic condition from being damaged further.

This proposal was related to the establishment of a central bank and the expansion of the co-operative movement. The basic idea was that the central bank would be responsible for reconciliated debts, by issuing stocks guaranteed by the government to the creditors. The stock would be redeemable after 20 years, with an interest of 6% per year. On the other hand, the debtor would have to be a member of a co-operative society, and would pay a lower interest rate (about 9%) to the central bank. Under this plan, the ability of farmers to repay the central bank was not an issue, because the reconciliated debts were neither higher than the value of the land or more than the cultivator's repaying capacity, for interest and principal. To control repayment by the cultivator, the cooperative society would be suitable, because of the close mutual knowledge of its members. In this arrangement, the society becomes the debtor of the central bank. There are two types of loans to farmers. The first is the large, long-term loan, which

²⁸ K. Kh.0301.1.37/72. N.A. p.4.

would be in stocks after reconciliation. The second is the small, short-term loan, which will be provided by the cooperative society, borrowing from the central bank.

The first stage of this scheme would take place in the five years from 1933 to 1937, establishing 2,480 cooperative societies, with 7,600,000 baht assets.

The second memorandum dealt with the establishment of central bank cooperative credit, and the procedure of debt reconciliation. This memorandum explains the financial cooperation between the central bank and cooperatives. According to the memorandum, there were three main aims: (a) to settle people's debts by issuing debentures or stocks instead of cash, (b) financing cooperative societies, from which cultivators may borrow, (c) buying up land belonging to those who do not cultivate it themselves, by paying them in debentures or stocks instead of cash, and selling or letting the land to cultivators who have no land of their own.²⁹ The head office would be in Bangkok, and the changwat treasuries would be used as branches in the provinces. The capital of the bank would come from three sources: loans from holders of debentures or stocks, (in connection with debt reconciliation), an internal loan by the government, and fixed deposits from the public. Loans to cooperatives from the bank would be divided into two types: long-term loans, up to twenty years, in order to issue debentures or stocks to creditors; and short-term loans, up to four years, to cultivators for cultivation expenses. The memorandum adds: 'This Bank is an institution independent from any governmental department and has its own Board (including representatives from Ministries and Departments concerned), appointed by the Government as a directing body.'³⁰ The profit of the bank would come from the difference between interest on debentures or stocks at 6% per annum paid to

29 Ibid., p.141.

30 Ibid., p.142.

creditors, and the 7.5% per annum from cooperatives. Later, in lending to cooperative members, the bank would make a profit from the difference between loans at 7.5% to members and the internal loan at 5% per annum. Loans at such low rates would be available only to members of cooperatives.

The role of cooperatives in this scheme was little different from their existing role, except that each member was required to transfer to the cooperative the title-deed on his land as security to cover the amount of his long-term loan. In other words, material security was required for long-term loans. Short-term loans, such as for cultivation expenses, required only personal security, with two members of the cooperative acting as guarantors.

This plan was discussed by the sub-committee on agricultural debt and cooperatives of the Economic Council on 14 April 1933.³¹ It did not support the plan for two reasons; firstly, it estimated the cultivators' indebtedness at over 100 million baht and secondly lack of sufficient staff would make it difficult for the government to collect payments from the farmers to cover interest and amortisation.

6.2. Problems and Obstacles for the Co-operatives

There were several problems and obstacles in the way of the development of co-operatives in Siam. First, the government started the movement without positive farmer participation. In other words, the government decided everything, and the farmers were simply asked to participate. There is no National Archives document reflecting suggestions from the farmers before the setting up of the first co-operatives in 1917. The co-operative movement was driven from the top by the government. The farmers' participation was

³¹ Ibid. The members of this sub-committee were Prince Sithiporn Kridakara, Chairman, Raymond B. Stevens, Prince Vivat Chaivant, James Baxter, Luang Dejsahakara and Phra Pramon Panya, secretary.

small during the 1920's. Moreover membership was open only to farmers with land. Tenant farmers were excluded, although they desperately needed help. The *Bangkok Times* admitted: 'The present national crisis is not to be solved by the co-op credit movement; but none the less the fact that that movement is giving a new and better outlook on life to over 2,000 families is an immense gain.'³² Another article noted:

The fact that the farmer is so largely out of the hands of the money-lender is part of the present-day problem.....it would take at least a thousand years for the movement to solve the national problem;Such problems are not solved in a year, but if seriously tackled the work of raising the economic status of the agricultural community should yield national results in a generation, or say, fifty years.³³

Second, the movement did not expand rapidly at this early stage because of financial limitations. Even though loans to the co-operatives were increased three times, (through the Siam Commercial Bank), to one million baht in 1929, setting up new co-operatives always depended on finance. Only when an existing co-operative repaid a loan could a new co-operative be established.

Third, the legal basis of the co-operative was unstable at this early stage, because only an amendment to the law of association was used. It meant that only credit co-operatives were allowed. As the law of association did not permit the sharing of profit other types of co-operatives, such as consumption, production, wholesale and retail, were tried only in a later period.

Fourth, the shift from personal security to material security in 1923 created an argument over the effectiveness of material security. Le May, the adviser to the Ministry of Commerce and Communications, supported personal security in favour of material security.³⁴ First, he described how the change occurred:

³² *Bangkok Times*, 11 July 1931.

³³ *Bangkok Times*, 17 July 1931.

³⁴ K.KH.0301.1.37/72. N.A. 'The Case for Personal Security against Material Security in the Rural Credit Co-operative Movement.' This document was written on 20 July 1931.

in B.E.2466 (1923-24) the Board of Commercial Development which was considering the extension of the Movement as a result of the visit to Burma and India of the Registrar and myself, decided upon a change in the nature of the security to be demanded from the members of all Societies created in the future, and introduced the principle of material security for loans advanced. I protested strongly at the time against this change on the ground that the new form of security was entirely opposed to the essential principle on which Rural credit Co-operative Societies were formed, but I was generally overruled.³⁵

Le May thought much of the principle of co-operation. Material security would promote individualism which would contradict the principle of co-operation.

He pointed out the merit of personal standing:

Each loan should mean so much earning capacity, so much producing power for the individual borrower. The guarantee consists in the expectation that each member of the society, knowing that he stands to lose his all by the default of the other, will exert moral pressure on his co-members to ensure that they use for a proper productive purpose the money which they have borrowed and duly repay it at the appointed time. The security in fact lies in the use of each loan for genuine productive purposes, the honesty and thrift of the members, the watchfulness they exercise over each other, the moral influence which they bring to bear upon dishonest or unthrifty co-members and the feeling of solidarity which is usually awakened by association for a common purpose. These represent the essential elements of co-operation in its perfected form, and it is in the presence of these elements that the business aspect of co-operation also finds its best security.³⁶

Le May pointed to the case of India, where the sale of assets frequently failed to cover the societies' debts, because they realised less than their valuation. He also suggested that when offering material security, the purpose of the loans was not always sufficiently examined. 'That is to say, the loan is not made on the merits and capacity of the borrower, but purely on the supposed value of land.'³⁷ Finally he argued that there was considerable disparity in the costs of setting up a society, depending on whether it used personal security or material security. Material security implied more than personal security: the original 60 societies established under personal standing required a total of about 270,000 baht, or an average of around 4,500 baht per society. In contrast, in 1929 the creation of 37 new societies

35 Ibid., p.1.

36 Ibid., pp.5-6.

37 Ibid., p.7.

cost no less than 383,000 baht, or over 10,000 baht per society.

Fifth, there was the problem of the indebtedness of farmers, which was to be reduced by the establishment of co-operatives. However, the co-operatives had done very little to reduce indebtedness. The statistical data on farmer's debt comes from the survey conducted by Zimmerman in 1930,³⁸ which made clear the role of money-lenders in rural Siam. Zimmerman pointed out that in general money-lenders were engaged in three activities: lending money, marketing agricultural produce and providing supplies to the farmer. This made it difficult to analyse how much they made from each activity. The degree of debt depended on whether the region was commercialised or not. The farmers in the central region were most in debt. About half the families in the central region were in debt at the end of 1930, and the average debt per family was 190 baht.³⁹ Zimmerman estimated that half of the farmer's loans in the north was provided by relatives and friends, who would not cause trouble to the cultivator. The figure in the Central Region was 40%. In general small loans were obtained from neighbours in all regions. Zimmerman's survey did not show the extent to which the Chinese moneylenders were creditors. However the general role of Chinese moneylenders was known. The role of moneylenders varied from region to region, and also by the type of loan. In the Central Region, medium loans were obtained from merchants and padi buyers, and large loans from moneylenders in the district and in Bangkok. In the North, large loans came from moneylenders in the cities, particularly Chiangmai. In the South and Northeast there were few medium-sized loans. Medium and large loans were usually secured by land. Second, interest rates varied from region to

³⁸ Carle C. Zimmerman, *Siam Rural Economic Survey 1930-31*, Bangkok: The Bangkok Times Press, 1931. See Chapter X, 'Agricultural Credit', pp.195-223.

³⁹ Ibid., pp.200-201. The average debt of a family at the end of B.E.2473 [1930] was: North, 30 baht; South, 10 baht; and Northeast, 14 baht. The families with loans per 100 families was: Centre, 49 families; North, 18 families; South, 18 families; and Northeast, 11 families.

region. In the Central Region they were from 15% to 30% per annum, though reaching as high as 60%.⁴⁰ Third, in the Central Region loans were obtained primarily for the purchase of land, then for farming expenses, food, and other expenses.⁴¹ Land loss occurred often in the Central Region, much less in other regions.

A letter from the royal secretary general to the Minister of Commerce and Communications in 1930 shows the government was anxious not to let land be handed over to foreigners and capitalists who did not engage in farming, but to keep land for Thais who really cultivated it.⁴² The letter indicated that the expansion of cooperatives would protect the land. Another letter from the Minister of Commerce and Communications to the royal secretary general suggested the expansion of cooperatives and staff.⁴³

Zimmerman noted:

These summarised results lead to the conclusion that the credit problem of the country is to be found at present principally in the central sections and around Chiangmai. Provincial cities in the other districts also have credit problems in their districts among the farmers nearest to town. Further they show clearly that the Siamese peasant is still living according to the credit habits of the self-sufficing time yet with the risks of commercial agriculture. He makes debts too often for consumptive purposes rather than for purposes of production. Consequently, too much of his money which he borrows is not put to work but is consumed without adding to his income.⁴⁴

Sixth, the Co-operative Department had insufficient staff. As the movement proved successful, the government could not provide sufficient staff or financial assistance. Although some competent staff and experts were engaged, the lack of adequate staff was evident. The foreign involvement was represented by J.A. Cable, the British adviser to the Department of

⁴⁰ Ibid. p.207. Interest in the North was from 15% to 24%. In the South, from 30% to 36%. In the Northeast, 24% to 36%. Zimmerman also estimated the average interest rates as follows: Centre, 23%; North, 21%; South, 32%; and Northeast 32%.

⁴¹ Ibid.p.207. In all other regions, the primary purposes of loans were food, followed by farming expenses, and purchase of land.

⁴² R7.Ph.9/1. N.A. Chaophya Mahithon to Krommaphra Kamphaengphet Akharayothin, 15 April 1930.

⁴³ Ibid. Kamphaenphet Akharayothi to Chaophya Mahithon, 2 May 1930.

⁴⁴ Carle C. Zimmerman, op.cit., p.208.

Commerce and Statistics from the beginning in 1915. A letter from the Minister of Agriculture to the Prime Minister on 28 January 1936 explained the need to hire a British expert on cooperatives in order to develop other types of cooperative.⁴⁵ However, in the cabinet meeting on 5 February 1936, the proposal was rejected, because the work of the Co-operative Department was poorly organised.⁴⁶

Seventh, dissatisfaction arose among poor farmers because the movement gave advantage to rich farmers. This dissatisfaction appeared in a demonstration against the cooperative scheme. The *Bangkok Times* reported:

The Government is making quite a big effort to extend the co-operative movement, all over the country, in order to improve the condition of the agriculturalists. But about five thousand farmers have combined together to submit to the Government a petition against its present co-operative scheme. They counted that, instead of assisting them in their plight of indebtedness and opposition from the middlemen, the present policy only serves as an instrument for the rich to utilise in oppressing the poor further. That being so, these 5,000, who belong to Minburi, Nakon Nayok, Chaxoengsao, Samud Prakarn and some parts of Bangkok, have combined in planning another co-operative movement which they have submitted to the Government through their representatives.⁴⁷

The petition sought to free the farmers from indebtedness, and help them to purchase and sell goods. The farmers presented twelve principles which can be divided into three. The first was to increase production and assist in financial aspects such as to invite new farmers to become members in order to set up silos to store paddy and other produce until they could be sold at reasonable prices, to establish a co-operative shop to sell necessities at reasonable prices, to set up a savings bank to receive deposits from farmers and facilitate financial settlements, such as the payment of taxes, principal, and interest. The second was that careful consideration should be given in

45 S.R.0201.19/36. N.A.

46 Ibid.

47 *Bangkok Times*, 16 July 1934. 'The Co-operative Movement. New Proposals'. This article was a rough translation from *The Nation* (Thai) on 14 July 1934. According to the article, fifty of the representatives arrived in Bangkok on 11 July, and seven met the Premier to hand in the petition.

the settlement of debts: proper rules and reasonable interest rates should be applied to members of cooperatives in settling debts between them and the farmers, the credit account of farmers should be checked every year, and evidence be required when the farmer was unable to cultivate his land. The third was the management of cooperatives: members sons and daughters should have the protection of the cooperative, half the co-operative board should be appointed by the Co-operative Department, the other half by the farmers concerned, all cooperatives should be subject to the control of the Co-operative Department of the Ministry of Economic Affairs, profits should be divided between members after the repayment of debt to the government and that members of the executive committee would receive monthly wages or temporary allowances. But the important point was that the farmers still relied on the assistance of the government, even though they were not satisfied with the current cooperative scheme.

6.3. The Ideas and Thought Behind Cooperatives

Even though the proposal for cooperatives was introduced from the West, rural cooperation had existed in Siam for a long time. The Ministry of Commerce and Communications's book in 1930 described this cooperation:

While the padi is growing it demands no labour, and, until it is reaped, nothing is done beyond a little spasmodic bird-scaring by children. With the reaping time, all are busy again. As a rule, each man ploughs his own land, but planting and reaping are usually done with the aid of his neighbours, the whole village turning out and working together on each owner's field in turn. This labour in common is the occasion for much merry-making, the young men and maidens, glad of the chance of meeting, planting and reaping all day amid bouts of repartee and bursts of laughter, and finishing up with a hearty feed at the expense of the owner of the field, followed by music and other amusements.⁴⁸

The problem in analysing cooperative thought in Siam is that the official documents are rather limited. For example, the introduction of the Raiffeisen

⁴⁸ The Ministry of Commerce and Communications, *Siam: Nature and Industry*, Bangkok, 1930, p.210.

form of cooperative to Siam was briefly mentioned in an official document, but gave little detail on Raiffeisen's thought and its suitability for the kingdom. Books and pamphlets on cooperatives published in the mid-1910's were mainly written to educate farmers in the purposes of cooperatives, only the practical benefits of cooperation were discussed. The only insight into the thought behind the cooperatives is to be found in the cremation books of those who were engaged in the cooperative movement in the 1920's and the 1930's. Therefore, a brief reference to the important figures engaged in the cooperative movement is in order.

(1) Rama 7

The King's speech on cooperatives in 1927 indicates how he saw the role of cooperatives. The King met members of the Ban Don Cooperative Credit Society as well as delegates from twenty-four other cooperative societies in Pitsanulok province during his tour of the North in January 1927.⁴⁹ The King was interested in the movement, made a brief speech, and also wrote a personal statement on cooperatives. In his speech he stressed the benefits of cooperation, 'These societies are a very important development, because they increase the wealth of the people, and apart from that they teach the members the value of mutual help. A group co-operating in any work can do what the individuals cannot.'⁵⁰ In a personal note the King wrote how he was impressed with the value of the movement:

The visit which I have for the first time paid to-day to this meeting of the Ban Don Co-operative Society has made me fully realise the value of the Co-operative Movement and its growth.....The great educative value of Co-operation lies in the fact that it leads people to use their minds in common in their work for a living and that it gives an opportunity for the development of an un-selfish spirit. Its success will depend on the loyalty of each one of the members to his Society. For this reason the Co-operative Movement is one sure means of bringing prosperity to Siam, and of improving its economic conditions, by adding to the wealth of the members and by promoting cordial friendship in the community. It is certainly one of the

⁴⁹ *Bangkok Times Weekly Mail*, 8 January 1927.

⁵⁰ Ibid.

most important undertakings that the Government has introduced into Siam.⁵¹

(2) Krommunphityalongkon

Krommunphityalongkon was the first Thai to study the principles of cooperatives in the world, and a key civil servant in promoting the cooperative movement in its early period. In 1914 he was appointed Director-General of the Department of Commerce and Statistics in the Ministry of Finance. He was known to be the author of the book on cooperatives which appeared in 1915, and also wrote several articles. His cremation book includes one of his speeches and articles.⁵²

His speech to the members of a credit cooperative society in Lopburi province on 10 February 1924 sought to provide some fundamental knowledge on cooperatives. First he argued that the purpose of the credit cooperative was to clear up old debts at high interest by means of a low interest rate loan from the society, and then to use this loan for cultivation. He also pointed out that the cooperative was used not only in Siam but in other countries. There were four points in his speech. First, that member's participation should be voluntary. Second, there must be no discrimination between members whether they were rich or poor, every member had one vote. Third, cooperatives work only for themselves, in other words, only the members receive benefit from the society. Last, every member should be honest.

He argued that there were two purposes of cooperatives - saving and self-reliance cooperation. Drinking alcohol, gambling, having high interest loans, having to sell rice when the price is low, were seen as examples of

⁵¹ Ibid.

⁵² Phraniphonbangruangkiawkapkansahakon khong Phraratchaworawongthoe Krommunphityalongkon kap ruang Phityalongkonmunlanithi, (Writings on some subjects about cooperatives by Phraratchaworawongthoe Krommunphityalongkon and Phityalongkon, foundation, civil servant on cooperatives) kharatchakansahakon phimcaeknainganphraratchathanphloengsop Phraratchaworawongtho Krommunphityalongkon Na Phramenluang Wat Thepsirintharawat, 22 March 1949. See part 1.

waste. Saving was important to create wealth for the nation. The richness of a country depends on the people.

Another article in this cremation book suggests that cooperatives in Burma had been the model for Siam.⁵³ The Siamese official in charge of cooperatives examined foreign text books, and decided to choose the type of cooperative which was most suitable for Siam. Second, although the type of cooperative for Siam was based on the Burma model, some improvements were included. Third, he blamed the administrators in charge of the cooperatives in Burma for the failures which occurred. The Burma government appointed high officials to cooperative administration, but they were often transferred to another section. In other words, he blamed the British administration for not encouraging cooperative experts.

(3) Chaophraya Wongsanupraphat

He was the Minister of Agriculture and then Minister of Communications under the absolute monarchy: he was again appointed Minister of Agriculture and Commerce after the revolution.⁵⁴ He was not involved in the cooperative movement himself, but his son, Luang Detsahakorn (Det Sanitwong) was a key member in the Ministry of Agriculture and Commerce after the revolution. His cremation book was titled *Sahakon* and included various articles about cooperatives. Chaophraya Wongsanupraphat did not write these articles, but the Department of Cooperatives contributed them. Some reviewed the development of cooperatives in Siam since 1932, and also outlined the principles of cooperatives. One article, 'Lakkanlaekancatsahakon'

⁵³ Ibid., 'Sahagon nai Phama' (Cooperatives in Burma). There is no note of the date of this article.

⁵⁴ He was born on 21 June 1876, the second son of Prince Sanitwong. His educational background involved military study in Denmark: he went to Denmark as a child in 1882 and came back to Bangkok in 1893. His major positions were: Minister of Agriculture from December 1909, Minister of Communications, 1912-1926, and Minister of Agriculture and Commerce 1932- 1933. He died on 20 October 1940.

(Principles and establishment of cooperatives) is worth examining.⁵⁵ Consisting of thirty-four pages, it focused on three points: the principles of cooperatives, comparisons between company and cooperative and obstacles to cooperatives.

First there are four principles. The first principle is for people to gather together, to remove poverty by means of cooperation. In the founding of the cooperative movement in Rochdale, England, in 1844, the members worked together. Another aim was to prevent farmers losing their lands to their creditors - the founding of credit cooperatives by Raiffeisen and Schulze-Delitzsch was mentioned. The second principle was equality between members. There was to be no discrimination among members in terms of wealth, poverty, sex, race, or religion. Equality was seen in the division of profits and the right to vote in meetings. The third principle was the willingness of people to join cooperatives - whether they would like to join willingly or not, whether they understood the purposes of cooperatives or not. The last principle was that cooperatives exist for the benefit of members. Cooperatives were not a charity organisation, but an organisation for the people to gather and help each other. In addition to these principles, the honesty of members was important.

The second part focused on the differences between a company and a cooperative. Cooperatives give importance to membership while companies on investing capital. The profit of a company is divided on the basis of the shareholder's stocks, but the profit of a cooperative is determined by the performance of its members. In the case of a cooperative shop, the profit is divided among members by the amount of their purchases. In a company voting power is decided by the number of stocks, in a

⁵⁵ Sahakon phimnainganphraratchatthanphloengsop Naiphon-ek Chaophraya Wongsanupraphat (M.R. Sathan Sanitwong) (Cooperatives printed on the occasion of the funeral of General Chaophraya Wongsanupraphat) Na Susanluang Watthepririnatharawat, 29 March 1942, pp.4-37.

cooperative every member has one vote. The purpose of a company is to pursue profit, that of a cooperative is to improve economic conditions, the moral code, and welfare of its members.

This article also mentions obstacles to the development of cooperatives. Establishing a cooperative requires the full cooperation of the people; the expansion of the movement made it difficult to inspect and supervise, because of a lack of sufficient staff.

In conclusion, the development of the cooperative movement in the 1930's was slow, and only had a limited impact on agriculture, in terms of capital provision and membership. Although most of the economic plans which were examined in Chapters 3 and 4 made much of the role of co-operatives, in reality the government made slow progress. Crucial in this were the insufficient capital allocations by the government and the lack of sufficient staff in the Department of Cooperatives. The need to expand financial resources was often stressed by experts and government committees. This is a clear example of the point that the government responded to the farmers' hardships in an indifferent way, in spite of acknowledging the need for action. Although the number of societies increased after 1932, their influence was a mere drop in the ocean. Most of the expansion took place with the Phibun government from 1939.

Table 6-1 Number of Societies and Membership			
Year B.E.	Numbers	Membership*	Membership**
2459 (1916/17)	1	16	47
2460 (1917/18)	12	144	166
2461 (1918/19)	1	19	21
2462 (1919/20)	12	248	253
2463 (1920/21)	34	628	638
2464 (1921/22)	0	0	0
2465 (1922/23)	0	0	0
2466 (1923/24)	4	67	82
2467 (1924/25)	5	79	84
2468 (1925/26)	8	123	123
Total	78	1,324	1,414
Note. * figure of membership at the time of formation.			
** figure of membership at the end of the year.			
(Source) 'Fourth Report on the Co-operative Movement in Siam',			
<i>The Record</i> , October 1926.			

Table 6-2 Co-operatives in Thailand from 1925 to 1944				
Year B.E. (A.D.)	Societies at the end of the year	New societies during the year	Members at the end of the year	New members during the year
2468 (1925/26)	77		1, 414	
2469 (1926/27)	77	0	1, 390	-24
2470 (1927/28)	81	4	1, 491	101
2471 (1928/29)	91	10	1, 629	138
2472 (1929/30)	128	37	2, 157	528
2473 (1930/31)	128	0	2, 221	64
2474 (1931/32)	150	22	2, 498	277
2475 (1932/33)	183	33	2, 935	437
2476 (1933/34)	326	143	4, 846	1, 911
2477 (1934/35)	439	113	6, 324	1, 478
2478 (1935/36)	562	123	8, 013	1, 689
2479 (1936/37)	770	208	11, 057	3, 044
2480 (1937/38)	921	151	14, 324	3, 267
2481 (1938/39)	1, 240	319	20, 637	6, 313
2482 (1939/40)*	1, 797	557	36, 465	15, 828
2483 (1940/41)*	2, 263	466	42, 960	6, 495
2484 (1941/42)	2, 998	735	73, 817	30, 857
2485 (1942/43)	3, 532	534	90, 074	16, 257
2486 (1943/44)	4, 205	673	105, 758	15, 684
2487 (1944/45)	4, 747	542	115, 435	9, 677
* Cooperative Credit Societies, Cooperative Land Hire-Purchase Societies and Land Improvement Societies.				
(Source) Phanit Ruamsil, 'Nayobai kanphatthana Setthakit samai comphon Por Phibunsongkhram tangte ph. s. 2481-2487' (The Economic Development Policy of the Field Marshal P. Phibunsongkhram Administration, 1938-1944), MA thesis, Department of History, Chulalongkorn University, 1978, p. 293.				

Proposals for a Central Bank

7.1. Introduction

The purpose of this chapter is to examine the various plans for a central bank or a national bank after 1932, and explore the relationship between these plans and the establishment of the Bank of Thailand in 1942. Plans for a national bank had been considered before 1932, in order to provide agricultural credit or relieve the farmer's indebtedness. Some of these plans were briefly mentioned in the previous chapter. The main aims of the plans after 1932 were: to counter the effects of the world depression, to reduce the farmer's debt, or to promote nationalism.

This chapter consists of a brief introduction, Kimpong Thongthat's plan for a national bank in 1935, James Baxter's, the Financial Adviser's, comments on a central bank in 1933-34, Phraya Suriyanuwat's plan for a national bank in 1933, the establishment of the Thai National Banking Bureau in 1939 and the establishment of the Bank of Thailand in 1942.

The main arguments in this chapter are as follows - What were the main reasons to submit plans for a central bank? Were they political or economic? Sometimes a plan might originate from a political context or a political conflict. What is the relationship between the plans before 1932 and those after 1932? Did the constitutional revolution have an impact on the post-1932 plans? Did the effects of the world depression encourage the plans? What was the attitude of the Financial Adviser on this issue? From the PRO documents it is clear that the attitude of the Financial Adviser changed

during the 1930's. Why and how did these changes occur? Why was the Thai National Banking Bureau established in 1939? At that time Pridi was the Minister of Finance, and this had been a theme in his economic plan in 1933. Pridi was the key person in the establishment of the Thai National Banking Bureau. Another context should be considered: economic nationalism, *Chatniyom*, from the Phibun government in 1938. The establishment of the Thai Central Bank in 1942 was influenced by the relationship between Japan and Thailand, it was the result of a political issue.

Siam was on the silver standard until 1902.¹ Until 1902, three foreign banks issued their own paper money, although the circulation was small and limited to the Bangkok area.² In 1902 a Department of Paper Currency was set up to issue a paper currency. The adoption of the silver standard caused instability in the foreign exchange. The fall of silver in terms of gold in the last few decades of the nineteenth century caused a fall in the exchange value of the baht against sterling. The baht fell from 8 baht per pound around 1871 to 21 baht per pound in 1902.³ This depreciation of the baht against sterling disadvantaged Siam in imports from England, such as railway materials, and reduced the prospects of borrowing from abroad. At the same time the depreciation of the baht against the pound did not encourage exports because all that time Siam exported mainly to silver standard countries. Between 1902 and 1908 the baht was tied to the gold standard. However the gold standard did not always bring stability to the Siamese currency, because silver coins represented a large part of the money supply.

Had it been possible to convert the money in circulation into a truly token money when

¹ See details in 'The Currency History of Siam (1902-23)', *The Record*, No.10, October 1923, and No.11, January 1924.

² They were: Hongkong and Shanghai Bank, the Chartered Bank, and Bank de l'Indochine.

³ 'The Currency History of Siam (1902-23)', *The Record*, No.10, October 1923, No.11, January 1924, p.4.

the gold-exchange standard was adopted, Thailand would have avoided much future trouble. This could have been done either by reducing the weight and fineness of the baht, or by replacing coins with paper money. The first alternative was rejected because the government feared that such a move would seriously undermine public confidence in the money. Silver coins could not be replaced by paper money for the same reason. The circulation of paper money increased rapidly after its introduction in 1902, but it was fully convertible and was backed by a strong currency reserve of silver and foreign exchange. Silver coins continued to comprise the bulk of the money in circulation.⁴

Another crisis occurred at the end of the First World War, with a sudden rise in the price of silver. This was caused by an enormous demand for silver in India.

The major part of the money supply was still made up of silver coins. In 1919 it was estimated that 103 million Baht of silver coins were in circulation. There was a real danger that silver coins would be melted down and exported as bullion as the world price of silver was high - in spite of the ban on the export of this metal from the country. The Thai Government consequently tried to combat this danger by appreciating the exchange of the Baht. In September 1919, the Government raised the exchange rate from 13 Baht to one pound sterling to 12 Baht to one pound sterling. The rate was raised several times until November 1919 when the rate was fixed at 9.54 Baht to one pound sterling.⁵

The money mechanism in Siam during the 1920's and the 1930's can be said to have been quite simple - it depended on the flow of trade and capital.

Basically, the mechanism was an automatic one, driven by the flow of trade, and "managed" only in the sense that certain rules were fixed by the government. Once the exchange rate was set, the government stood ready to buy and sell at that rate, but no other control was exercised. The government's role was a passive one, and the supply of money adjusted itself according to the flow of trade and finance. When the export trade was booming, the internal circulation of money tended to increase because more foreign exchange was earned than was required to pay for imports and remittances. The excess was sold to the Treasury in exchange for baht, which increased the internal circulation. When the export trade was slack for any reason, the reserve process was set in motion and the supply of money decreased. 'Normally', the supply of foreign exchange at the stabilised rate slightly exceeded the amount demanded, and the Treasury purchased the excess with new issues of currency.

⁴ James C. Ingram, *Economic Change in Thailand 1850-1970*, Stanford: Stanford University Press, 1971, pp.153-4. Ian Brown, Siam and the Gold Standard, 1902-1908, *Journal of Southeast Asian Studies* 10, no.2 (September), pp.381-99.

⁵ Paul Sithi-Amnuai, (ed), *Finance and Banking in Thailand A Study of the Commercial System, 1888-1963*, Bangkok: Thai Watana Panich, 1964, p.25.

The increased note circulation was fully covered by the foreign exchange acquired.⁶

A brief description of the banking system before 1932 is necessary in order to explain why plans for a central bank appeared after 1932. In the late nineteenth century, modern banking was mainly carried out by foreign banks. They were the Hongkong and Shanghai Banking Corp. (1888), the Chartered Bank of India, Australia and China (1894), and Banque de L'Indochine (1897). The first two banks were British and the last was French. Their business was confined to financing the export and import trade. Even though small Chinese exchange houses, 'Puay Kuan', existed, their role was limited to carrying out remittances to China.⁷ It is important to note that at that time the western banks worked mainly with European trading houses and some influential Chinese-Siamese merchants. The Siamese people were not familiar with the Western banks, and the banks did not offer deposit or loan services to the Siamese. In the early twentieth century, several Siamese and Chinese banks were established. Among them, the Siam Commercial Bank was the most important. Its establishment was supported by the government, which provided capital. It broke the European monopoly of the exchange business, it had support and help from foreign banks, first German, later British, and the government assisted it through various crises, particularly the fall of the Chino-Siam Bank in 1913. Prince Mahit, the Minister of Finance from August 1896, was the key person in promoting the 'Book Club' in 1904, which became the Siam Commercial Bank in 1906.⁸ Government participation was carried out through the Privy Purse Bureau (Phra Khlang Khang-thi), it provided 300,000 baht, or 10% of the registered

⁶ James C. Ingram, op.cit., pp.159-160.

⁷ See the role of 'Puay Kuan' in Paul Sithi-Amnuai, (ed), *Finance and Banking in Thailand A Study of the Commercial System, 1888-1963*, Bangkok: Thai Watana Panich, 1964, p.36.

⁸ See the role of Prince Mahit in the 'Book Club' and the Siam Commercial Bank, in Ian Brown, *The Élite and the Economy in Siam c.1890-1920*, Singapore: Oxford University Press, 1988, pp.125-135.

capital.⁹

The management of the Siam Commercial Bank was carried out by foreigners and by Thais. Three of the seven directors were foreigners, and one of them, F. Killian of the Deutsch-Asiatische Bank, played an important role as manager of the foreign department. Even though the share capital of the foreign banks, the Deutsch-Asiatische Bank (Germany) and the Danske Landmannsbank (Danish) was less than 20 % of the total, European directors, German and Danish, dominated the foreign department, in terms of management and their skill in the foreign exchange business. It is important to note that British banks and British managers were not invited to join the Siam Commercial Bank, because of the dominance of British commercial banks in Siam. In general, the management of the Siam Commercial Bank was divided between a Thai manager in the domestic department and a foreign manager in the foreign department. Although the foreign department made profits from exchange business, the domestic loan business caused losses through mismanagement by the local manager, who offered major loans and overdrafts on insufficient security. This mismanagement became clear when Joo Seng Heng (Chalong Naiyanat), the owner of the Joo Seng Heng Bank (later the Chino-Siam Bank) was appointed local manager of the Siam Commercial Bank in 1910. In order to protect his business, Joo Seng Heng mismanaged the Siam Commercial Bank to the point of collapse when his Chino-Siam Bank went into bankruptcy in 1913.¹⁰ The collapse of the Chino-Siam Bank had a great

⁹ On 25 January 1908 Baeng Sayam Kammachon Chamkat, the Siam Commercial Bank, was established with 3 million baht capital. Of the 3,000 shares (each 1,000 baht), the big shareholders were Prince Mahit (503), Phra Sapphakanhirankit (340) shares, Deutsch-Asiatische Bank (330), Kim Seng Lee (300), and the Danske Landmannsbank 240. Punee Bualek, *Wikkro Naithun Thanakhanphanit khong Thai Pho.So.2475-2516* (A study of Thai Commercial Bank capitalists 1932-1973), Chulalongkorn University, 1986, p.9.

¹⁰ Ian Brown, *The Élite and the Economy in Siam c.1890-1920*, Singapore: Oxford University Press, 1988, pp.135-144. The relationship between the Siam Commercial Bank and the Chino-Siam Bank, and Joo Seng Heng's involvement in both are fully described.

impact on business in Bangkok, and led to the collapse of the biggest rice mill, the Siam Rice Milling Company. The total losses of the Siam Commercial Bank were so huge that most of its capital issue (3 million baht) was wiped out.

Initially, these (losses) had been placed at around 2 million baht, but a detailed examination of the bank's accounts undertaken by a European official from the Ministry of Finance revealed that the Siam Commercial had lost no less than 5,747,000 baht.¹¹ In the end, the government decided to reconstruct the Siam Commercial Bank through a new 3 million baht share issue. The Privy Purse invested 1,634,000 baht in the issue in order to maintain its position as a major shareholder. This government support was crucial because it showed the government's willingness to intervene directly to promote an indigenous bank. There were several reasons for it to support the bank. First, the bank had been strongly supported by the government from the beginning. Second, the bank was the only Siamese bank which conducted loan and foreign exchange business on a large scale. Third, in order to maintain a Siamese interest in foreign exchange and lending activity, the bank was essential - otherwise European banks would dominate Siamese banking again.

Foreign Office documents show the thinking in Siam on national banking in the early 1930's. For example, one document shows young members of the Economic Council eager to set up a central bank but foreign advisers were doubtful.

Mr. Baxter is, I gather, experiencing some difficulties from the younger members of the Economic Council. They still hanker after devaluation and are toying with the idea of a central Bank, while some are much struck by some theories of Mr. J.M. Keynes and are agitating for a managed currency. All are quite oblivious of the facts that nobody in Siam has the slightest idea of how to institute a central bank or to manage a currency, even if the exports and imports of Siam were such as to make a managed currency theoretically possible. Mr. Baxter has drawn up a plain-spoken memorandum (which he showed me) on the former subject wherein he has not minced matters. He has pointed out that foreign experts would be essential to the

¹¹ Ian Brown, *op.cit.*, p.142.

establishment of a central bank.....¹²

Another Foreign Office document, written by Baxter, the Financial Adviser, explained his difference of opinion over a central bank with the Siamese officials. Baxter was strongly against the idea for several reasons:

Two days ago the Minister of Economics told me that there is a strong pressure in favour of establishing a Central Bank to which the Currency would be handed over. It was obvious that he did not think that this pressure could be resisted. I don't think Siam is yet ready for a Central Bank but should be very much concerned if the kind of Central bank which is being advocated had any of the orthodox characteristics of its fellows elsewhere. It does not aim at blocking but clearing the way to inflation. Here are two of the canons of its most prominent exponent. a) "If the Bank has a reserve consisting of gold or the medium of exchange of a gold standard country to an amount of Ticals 1 million, it then has the right to issue Ticals 2 million of notes." The additional million, he it observed, is not to be covered by anything else. b) "Notes up to 40% of the total issue are to be issued against mortgages on land" the land to be valued on the somewhat mystical conception of "productive value". It is made quite clear that "productive value" is not "market value" but something much higher. It is difficult to make out what. It would seem to be the value when rice is about double its present price. You may find it hard to believe that I haven't invented (a) and (b) above, or that anybody can take the proposal seriously. They are cold fact and do not strike even Siamese ministers as in any way foolish. We live on this finance plain in Siam.¹³

The origin of Baxter's hostility might reflect his wish to defend British banking interests, fear of the insecurity of the Thai financial system, and fear of financial unorthodoxy which would lead to inflation.

7.2. Kimpong Thongthat's plan in 1935

Kimpong's plan for a national bank can be seen in National Archives documents.¹⁴ There are two documents. The first, a memorandum, is on how to deal with domestic economic problems, the second, an answer to four

¹² Bailey to FO No. 151, 14 September 1933, F6762/380/40, FO371/17177, PRO.

¹³ J. Baxter to Siepmann, 17 November 1933, enclosed in Dormer to Orde, 20 November 1933, F7580/380/40, FO371/17177, PRO.

¹⁴ (2) S.R.0201.50.2/3.N.A.

points about the establishment of a national bank, made to the committee of the Economic Council in the Ministry of Economic Affairs.

Kimpong's plan raised basic questions as to why Siam had difficulty in establishing a national bank but his arguments were not always logical.

Although little is known about his life and business, it is a fact that he played an important role in expressing his ideas on a national bank as a member of the Economic Council. His business involved trading, importing, groceries, rice exporting, mining and saw milling. According to Suehiro's survey of registered limited companies in Bangkok, 1912-1933, Kimpong owned twelve companies out of a total of 164. They were four mining companies, three trading, two importing, one saw milling, one rice exporting and one grocery company.¹⁵ He was a Chinese merchant, but his life was little known beyond this.

Before explaining his analysis and reasoning, which is rather muddled, the gist of the two documents will be briefly described. Before submitting this memorandum, Kimpong sent a letter to the Minister of Economic Affairs, on 12 December 1934.¹⁶ In this letter, he pointed out the importance of customs duty, that is protection, as a basic industrial policy. He recommended a law to restrict some imports, in the way other countries used quotas. Although he admitted that this would undermine the development of the world economy, he pointed out that Siam was a small state. He also noted that England changed from free trade to protection in order to cope with the world economic crisis. Kimpong believed in free trade in principle, but he was concerned to show how Siam could deal with the economic crisis. Following this introduction, there were five pages concerned with the domestic economy.

¹⁵ Akira Suehiro, 'The Rise of "Thai" Capitalist Groups During the Inter-War Period', unpublished paper for the Thai Studies Conference-SOAS, London, 1993. See the list of registered limited companies in Bangkok, 1912-1933.

¹⁶ (2) S.R.0201.50.2/3.N.A. Kimpong Thongthat to the Minister of Economic Affairs, 12 December 1934.

In this memorandum, Kimpong advocated establishing a national bank. However, he did not include a detailed plan of a national bank. He pointed out the serious effect of the world depression on Siam, and mentioned the little interest shown by the Siamese about capital resources. He emphasised that the shortage of capital was a vital problem for Siam.

He believed that solving this financial problem would settle other problems. In order to solve it, the stabilisation of the monetary system was vital. Some countries used devaluation to cope with domestic economic problems, but this would not be possible in Siam, he suggested, because Siam lacked financial organisation. Therefore the establishment of a central bank and an agricultural bank would be necessary in order to protect Siam's finances when the international exchange deteriorated.

Another of his points was that the Siamese capital structure had deteriorated. Siamese export markets had changed, as China had established a customs tariff against Siamese products and as Japan became a rice exporter. Kimpong pointed out that Siam did not have any influence on the world market. In order to deal with this situation, he suggested cooperation between three organisations - a central bank, an agricultural bank and co-operatives. A national bank would support an agricultural bank, which in turn would assist co-operatives. Another issue was how to cope with fluctuations in the foreign exchange. Kimpong suggested establishing a special committee for foreign exchange if the government found difficulty in setting up a national bank. Having such a committee would embarrass foreigners in Siam, and it might have less ability than a national bank, but it would be better than nothing. Once a central bank was established, there would be an opportunity to set up an agricultural bank, a commercial bank and an industrial bank. From there, organizations such as insurance companies and building societies would be developed.

In practical terms, Kimpong suggested a cooperation between an agricultural bank and a federation of cooperative societies. Giving as examples Hotokusha in Japan, and the principles of Federick William Raiffeisen in Germany, Kimpong advocated cooperatives.¹⁷ He particularly stressed the importance of education, for diligence and saving, in cooperatives. He also noted the introduction of new crops, developing new export products, stopping food imports, and establishing commercial organizations.¹⁸ If the cost of transportation by railway could be reduced, he said trade would expand.

The second part of Kimpong's proposal, consisting of ten pages, was written on 1 May 1935. The proposal was an opinion on four problems about establishing a national bank, placed before the Economic Council in the Ministry of Economic Affairs. The argument expanded on the following four questions. Is it impossible to set up a national bank because of a shortage of men of talent? Is it unnecessary to have a national bank because Siam is an agricultural country? Siam should not have a national bank because when it is established it cannot be a central bank because of the lack of commercial banks. Siam should not have a central bank now, it should wait for other types of banks to be established before setting up a national bank. These four points had been raised by the Economic Council.

In his introduction Kimpong maintained that there were two problems; an economic problem and an international political problem - the unequal treaties. He did not explain the second problem. For the economic problem, he stressed the influence of war, using the cases of Germany and Japan. He paid more attention to Japan. Although Japan was recognised as the most powerful country in the East, she had experienced difficulties. Kimpong gave as an example the crisis of 1923, caused by earthquake, flood and fire. As a

¹⁷ Kimpong quoted Yoshida's book, a peasant sage of Japan, and Cahill's enquiry into agricultural credit and agricultural cooperation in Germany.

¹⁸ For example, Siam imported millions of baht of food.

result of this crisis, Japan had lost about one-eighth of its wealth. Seventy-six banks had gone bankrupt, he suggested, and there had been a severe financial crisis. The Bank of Japan had only sixty million yen: she provided nine hundred and fifty-nine million yen by issuing paper money. Thus the financial crisis was prevented by the Bank of Japan.

Following this introduction, Kimpong noted the lack of men of ability. He considered this the final problem, in other words, once the other three problems had been sorted out, this would solve itself. The important point was that the nation was suffering from economic depression and was waiting for government help. Kimpong believed that the immediate setting up of a national bank would help the economy. He pointed out the main functions of a national bank - credit sponsor, credit organiser, national credit regulator and a lender of last resort. To the problem of a lack of men of talent, Kimpong stressed that hiring foreign experts would be useless in both economic and political terms, therefore hiring should be limited to two persons of different nationalities for three years. After that Siamese would replace foreigners.

In recruiting men of talent, Kimpong suggested three sources; M.P.s, civil servants and Siamese merchants. All candidates would be required to be patriotic, honest, diligent, have a keen sense of responsibility, decisive, patient, have good intelligence and know foreign books. Kimpong stressed that Siam had no problem in looking for men of talent. He was convinced that Siam after the 1932 revolution had capable men.

For the second problem, whether a national bank was necessary for Siam because it was an agricultural country, Kimpong replied with several case studies. He emphasised that this was not a period of laissez faire and freedom of trade, but a time of economic war. Kimpong thought that Siam was not disadvantaged by being an agricultural country. He gave examples of agricultural countries in Europe, such as Yugoslavia, Rumania, Denmark

and Sweden, which had national banks. Comparing land area, population and agricultural population, he pointed out the benefits of a national bank in an agricultural country, in terms of creating credit and offering loans to farmers. He mentioned the case of Denmark, which depended on dairy farming, exporting butter and salt meat, and with a population of just 3.5 million could expand its business in Siam, through the East Asiatic Company. In addition, a marine state like Sweden could achieve development with a central bank. Kimpong's main point was that a central bank was necessary, regardless of the type of country, whether an agricultural or marine state.

On the other hand, neighbouring countries such as India, Java and Vietnam did not have a national financial institution. This was explained by colonial rule and unequal trade treaties. He compared France as ruler, with Vietnam as the colony, in terms of financial organisation. There was a huge gap between an advanced financial state like France and an underdeveloped one like Vietnam, lacking financial organisation.¹⁹ His point was that it was necessary to have a national financial institution if the state wanted to protect its independence.

The third question was dealt with quite briefly because there was no principle in this matter. A national bank in the early years was not necessarily a centre of banks - therefore Siam could set up a national bank first which would then develop as a centre of banks. Kimpong summarised this point; setting up a national bank should be carried out soon, even though the functions of a national bank were not yet fully prepared and defined.

The fourth problem was whether setting up a national bank should wait until there were enough other banks. First Kimpong mentioned invisible imports and invisible exports. According to him, invisible exports meant

¹⁹ He referred to Sir Robert Cahill C.M.G., *The economic condition in France dated June 1934*, for conditions in Vietnam.

Siamese working in foreign countries sending remittances back to Siam. Siam had no invisible exports, and only a few factories, like saw mills, rice mills and ice making factories. He raised the question: how many Siamese were engaged in commerce and manufacturing? Farmers accounted for eighty percent of the labour force. The fourth problem concerned countries that had overseas workers or many merchants. For example, Yugoslavs in America sent not less than one million gold dollars per year to their homeland, thus making it an important export income. This encouraged exchange and consumption in their homeland, so that other banks were established prior to a national bank. In Siam, people depended on the 3 British banks in spite of the presence of the one Siamese bank. He had the impression that if Siam adopted a policy of setting up a central bank only after the creation of other banks there would be a long wait.

In the end, Kimpong asked the government to prepare a Bank Law, setting up exclusive rights for a national bank, a Charter Act for the National Bank and Articles of Association for the National Bank.

These two documents were related. Points in the first document are explained in the second. There are several issues to be discussed here. First, although Kimpong expressed his strong wish to set up a national bank, he did not include a detailed plan of a national bank. It seems that Kimpong simply suggested the idea, and then the practical responsibility was left to the Economic Council. It is a mystery why he did not submit a detailed plan after preaching the necessity for a national bank. This is in contrast to Phraya Suriyanuwat's plan, because Phraya Suriyanuwat submitted a detailed plan with little explanation why a national bank was necessary.

Second, Kimpong's explanation and argument were often so confused that they are difficult to follow. For example, he stressed that without a

national bank it would be difficult to stabilise the exchange rate. However this argument does not make sense, because at that time the Ministry of Finance carried out that function.

Another example is in his use of the term 'financial institutions': the meaning of this term was vague, it indicated not only a national bank but an agricultural bank, or a commercial bank, at different times. More important, Kimpong discussed his plan for a national bank with that for an agricultural bank and co-operatives: his argument sometimes led to emphasis on an agricultural bank rather than a national bank.

His proposal was considered important in spite of the lack of detail. Several discussions were held in the Cabinet and in the Ministries of Finance and Economic Affairs. This is evidence that at least two people, Kimpong and Phraya Suriyanuwat, were aware of the critical financial condition of Siam and made an effort to suggest solutions. Financial policy, especially exchange policy, was a hot issue both before and after the constitutional revolution of 1932. For example, when Britain went off the gold standard in 1931 there was much discussion within the government. However this did not develop into a proposal to establishment a central bank, rather to keep the separate financial functions in different ministries (this argument was discussed in Chapter 4). On the other hand, the discussions after 1932 indicated that the proposals to establish a central bank were not based on an analysis of the political and economic conditions of Siam but on the passion of nationalism. In this context, Kimpong's proposal came from a greater appreciation of the real problems facing Siam.

Fourth, Kimpong has been historically neglected, and even his business interests have not been fully studied because of limited sources. However his arguments for a national bank were not always fully logical, as

shown above. According to his documents in the National Archives, Kimpong seems to be intelligent because he was familiar with the history of world finance, quoting from various English books. Moreover as a businessman, how could he not acquire a wide knowledge about finance? Phraya Suriyanuwat had the impression that Kimpong had absorbed a wide knowledge about finance from reading many books. However Phraya Suriyanuwat's judgment of Kimpong might be too kind. It is a fact that he used many quotations from western textbooks, but his arguments lacked precision. For example, he noted the importance of a national bank's independence from political interference. Yet in the Siam of the early 1930's there was doubt whether such a powerful national bank was really necessary. Kimpong missed this vital point.

Fifth, Kimpong raised some interesting themes: devaluation, the importance of economic independence, economic nationalism, a national bank free of politics. He expressed strongly nationalistic ideas on trade and commerce in spite of being Chinese in origin. He might be considered a Sino-Siamese with a Thai heart, like Mangkorn Samsen. His ideas on protection were quite reasonable, because he explained that a small country like Siam had no other way to protect her interests. Although he did not deny the value of employing foreign experts, he clearly aimed to foster Siamese experts as soon as possible, giving foreigners only short contracts. In the documents Kimpong did not mention the foreign Financial Adviser, James Baxter, nor did he try to attack him, a strong enemy of his proposal. Perhaps Kimpong thought to persuade the other members of the Economic Council on the merits of his proposal, rather than cause problems by referring to a foreign adviser. Lastly, his argument on the exchange rate was important because it was raised by a real merchant. Yet he did not expand his argument - for example, by calling for a devaluation of the currency. His

aim was to protect the exchange, by establishing a national bank. It might be imagined that his export and import business was affected by the unstable exchange: he was sure that stability of the exchange was vital for the development of the economy.

Phraya Suriyanuwat's memorandum on Kimpong's proposal appeared after Kimpong submitted his plan.²⁰ This memorandum is important because it provides an understanding of the impact of Kimpong's plan on the Siamese government and the background to its discussions. It also makes it clear that a high ranking officer like Phraya Suriyanuwat was impressed by Kimpong's proposal.

Phraya Suriyanuwat confessed that he did not know Kimpong personally, but was quite sure that he was Chinese, because of his name, and thought that he was a real Siamese patriot.²¹ He suggested that Kimpong had gained a wide knowledge about finance from reading, and emphasised that Kimpong was interested in the development of the Siamese economy in spite of being Chinese. Phraya Suriyanuwat had the impression that it was better to consult Sino-Chinese than some foreigners, who were inclined to pursue their own interests separate from those of the Thai. In the cabinet meeting, the Minister of Agriculture supported the idea of establishing a national bank as soon as possible, and expressed fear of the Siamese economy falling into the hands of a few people or being at the mercy of foreigners. This would cause danger. The wish of the Minister of Economic Affairs to invite Kimpong to the cabinet meeting as an expert, because the government lacked an expert on this subject, was criticised by Phraya

²⁰ The date of this memorandum was not given. However, the report of the cabinet meeting is 14 June 1935, and the other letter from the secretary-general to the Minister of Economic Affairs is 15 June 1935. Both were mentioned in Phraya Suriyanuwat's memorandum.

²¹ Phraya Suriyanuwat mentioned that Kimpong's Chinese family name was Segim.

Suriyanuwat. He felt it a pity that the Minister had used the lack of an expert as an obstacle to the establishment of a national bank. Phraya Suriyanuwat noted that the Economic Council was negative, he also raised a fear of the influence of the Ministry of Finance on the Economic Council. He particularly mentioned Baxter, the Financial Adviser, as an expert on finance. The Ministry of Finance and Baxter had been against the proposal for a national bank for a long time.

Phraya Suriyanuwat then considered the same four problems which had been discussed by Kimpong. Regarding the alleged lack of men of talent, he held the same view as Kimpong. Phraya Suriyanuwat thought that Siam had enough money to hire foreign experts for short periods, such as two or three years, for them to teach the Siamese. An interesting point made by Phraya Suriyanuwat was that the salary of experts should not be lower than that of the Financial Adviser. This suggests that he thought much of experts, because at that time, the Siamese government paid the highest salary to its Financial Adviser. Concerning hiring experts, Phraya Suriyanuwat suggested several sources, such as the Bank for International Settlements in Switzerland, Sweden, and the League of Nations. He considered it important to hire experts from a neutral country or from an international organisation, because there was nothing there to interfere with Siamese interests.

He was also convinced that foreign capital was necessary for Siamese economic development. He suggested that foreigners could participate by purchasing shares in a national bank, provided that the government held more than fifty percent. Phraya Suriyanuwat emphasised the relationship between Siam and foreigners. He was sure that the economic development of Siam would need foreign capital, because Siam lacked local capital.

The second problem, of Siam being merely an agricultural country,

was dismissed by Phraya Suriyanuwat - establishing a national bank was of benefit to all nations, not only agriculture and industry but all small interests needed loans. The proposed national bank should help such people rather than big companies. A principle of the proposed bank would be to make an effort to secure quick repayment of debt.

Phraya Suriyanuwat examined the case of Yugoslavia, an agricultural country with a national bank. He analysed the case of the Credit Anstalt of Vienna. Misconduct by the manager threatened bankruptcy, and this caused concern in England and America. A bank collapse would have serious effects across Europe and America. Consequently rescue measures, such as debt deferment, were introduced. In the world recession, capitalists were not confident, so that loan periods became short, one week or one month. The panic spread rapidly to Germany, which had insufficient resources to repay debts to the U.S.A. and France. Hoover, the US President, fearing that depositors would withdraw from the German central bank, decided to halt German repayments for up to one year. Phraya Suriyanuwat argued that these lessons should apply to the Siam Commercial Bank.

The third problem, that the bank would not be a centre of banks, was dismissed with the argument that members of the Economic Council did not definitely wish the government to establish a national bank. As to the fourth problem - was there a need to wait until there were more commercial banks? Phraya Suriyanuwat noted that there were several foreign and Chinese banks in Siam, but the only Siamese bank was the Siam Commercial Bank. He cynically commented that the latter aimed to assist mostly foreigners, and Siamese received little help.

In conclusion, Phraya Suriyanuwat supported Kimpong's plan and implored the cabinet to prepare a draft law for the House of Representatives.

The last part of this section explores how the government responded to Kimpong's plan and what discussions took place. A letter from the Minister of Economic Affairs to the Prime Minister on 14 May 1935 shows the Ministry's views on Kimpong's plan. It contained four important points. First, although the Ministry realised the necessity for a bank or credit institution in order to secure the financial needs of the nation, it did not wish to issue more bank notes, as this would reduce the value of the Siamese currency. Therefore the Ministry asked the Economic Council to consider this matter. Second, the Economic Council, on examining the proposal, argued that establishing a national bank would be necessary one day. Third, the Ministry thought that setting up a financial organisation was very urgent. This should be considered by experts, by hiring foreigners, or asking help from the League of Nations. However, it was first necessary to establish a committee consisting of financial experts, in order to report on present conditions, ways to improve, and on the establishment of a financial organisation. Lastly, the Ministry wanted the cabinet to accept the proposal in principle and set up a committee. If the cabinet was ready to discuss this issue, the Minister would ask permission to invite Kimpong to explain. In this letter, the term 'financial organisation' was used several times but whether this indicated a national bank or a central bank is not clear.

A letter from the Secretary-General to the Minister of Economic Affairs on 15 June 1935 indicated that although the cabinet examined Kimpong's plan on 12 June, the Ministry of Economic Affairs did not agree to a careful examination because the Economic Council did not agree with Kimpong's proposals. Therefore the Secretary-General asked the Economic Council to examine the matter again.

At the meeting of the Economic Council held on 3 July 1935, critical

views about Kimpong's plan were voiced. Among the seven members attending, Mom Chao Sakonwannakon Worawan and Phraya Chaiyodsombat expressed the view that the time was not ripe for setting up a central bank or a national bank. They thought that the only function of a central bank was as a centre of banks. If it aimed to offer direct loans to the people, the Siam Commercial Bank already carried out this function. They thought much of the role of co-operatives in the development of Siam, and raised doubts whether issuing bank notes by a central bank or a national bank would increase credit. For example, Germany issued many bank notes in spite of having little gold; consequently the value of the mark fell sharply. They also mentioned the possibility of setting up a committee separate from the Ministry of Finance in order to protect finance from politics. In spite of these views, they again argued against the establishment of a committee, because of the alleged lack of men of talent; hiring foreigners should not be allowed; and they doubted whether this committee would give better results than the present government control. Kimpong made objections to these views: there would be no financial organisation without a central bank, which would control currency and credit; other banks would depend on a central bank.

This meeting concluded that it was not necessary to set up a central bank; hiring a financial expert to consider the matter was supported; and it was necessary to set up an agricultural bank first. The President of the Economic Council argued that the establishment of a central bank would be necessary in the future, but a lack of experts would make it necessary to hire experts. He said that the government should employ a nationality which would be useful to Siam.

There was also a meeting of the Economic Council soon after Kimpong submitted a letter to the Minister of Economic Affairs on 12

December 1934. This meeting of the Economic Council, on 20 December 1934, gave a clear picture about what to do and what not to do. First of all, the Economic Council considered it suitable for Phraya Chaiyotsombat to make notes on the establishment of a central bank and an agricultural bank. Second, it would be necessary to establish a central bank or a national bank some day. However, the immediate need was to support agriculture, because it lacked capital, was severely affected by the economic crisis, and was the backbone of the country.

There were four things to do: to control the exchange, increase credit for business, offer finance for commerce, and assist agriculture through an agricultural bank. A central bank could not assist agriculture directly. Having an agricultural population of four million and lacking capital, the government made loans to agriculture of only two hundred thousand baht per year.

In contrast, there were five things not to do (or rather there was no need for a central bank to carry them out). The first concerned the duties of a central bank. It had six functions: to issue bank notes and control currency, to receive deposits from the domestic banks, to hold government reserves, to be the agent for finance between the government and foreign countries, to manage credit by meeting the demands of the market through controlling the reserves of the commercial banks and to look for credit for the country in an emergency. The first function, of issuing bank notes and controlling the currency, was already carried out by the Ministry of Finance, with the trust of Thais and foreigners. Second, it was necessary to assist agriculture, which had total debts of seventy million baht in the central part of Siam. In order to deal with this problem, the Department of Co-operatives needed to expand over a period of twelve to fourteen years, which would need an expenditure of four million baht per year, which at present was not available. Therefore it

was not necessary to set up a central bank. The third point was that a central bank would require commercial banks. How could it be a central bank if there were no other banks? If the central bank was the only bank, it would be a risk for the country. Fourth, in the establishment of an agricultural bank or a central bank, Siam was still not aware of the problems which needed to be solved. In hiring experts, they should have the data beforehand. Lastly, how would a central bank acquire capital? It was impossible to issue bank notes without reserves.

In conclusion, much of Kimpong's analysis and reasoning is rather muddled. The particular functions of a national bank were never adequately defined. In fact he frequently appears to be talking about an agricultural bank. But, on the other hand, he did raise some interesting themes: the advantages of devaluation, the importance of economic independence, economic nationalism and having a national bank free from politics. Phraya Suriyanuwat appears to have thought well of him; and he was a member of the Economic Council. And yet much of what he wrote is confused. Perhaps this reflects the thinness of economic expertise in Siam in this period.

7.3. James Baxter's Opinion on a Central Bank

James Baxter, the Financial Adviser, submitted a memorandum on central banking on 11 September 1933. With it he wrote a letter to the State Councillor in charge of the Ministry of Finance.

In this letter Baxter expressed his opinion on a central bank. First he believed that the gold standard was the fundamental idea behind central banking.

In general my note assumes that the gold standard prevails since this is the

fundamental idea underlining modern Central Banking. The consensus of financial opinion is that gold is still the least unsatisfactory standard of value. Its restoration is the declared aim and object of every nation. Countries now on a gold basis are struggling heroically to maintain this position and the restoration of a free gold standard is the end towards which countries at present off gold are striving.²²

Second, Baxter argued:

It seemed to me, however, that the necessary preliminary to a discussion of Siam's special problems was an exposé of the nature and functions of Central Banks as understood in the world of to-day. One must, however, face the cold fact that the subject of Central Banking is a highly specialist one and altogether beyond the comprehension of the great mass of the laity.²³

In order to carry out this complicated task, Baxter recommended that the Siamese government listen to experts from the Bank of England and the League of Nations. He thought that expert external advice was vital. Third, he talked about the political influences on a central bank.

The key to the understanding of the post-war development of Central Banking is to be found in the desire, indeed the necessity, to remove a country's currency from the orbit of political influences. Experience has abundantly proved that monetary policy should be independent of political contingencies.²⁴

Therefore, control of the note-issue should be placed in the hands of a central bank. Lastly Baxter drew attention to an interesting paradox between control of the currency by a central bank and inflation in Siam:

In view of the motives inspiring the creation and re-organisation of Central Banks during the last decade, it is somewhat of a paradox to find that the movement in Siam in favour of the removal of the control of the currency from the Government and of the handling of it over to a Bank is to clear and not to block the path to inflation. The movement is fraught with peril. The economic well-being of the Kingdom is at stake. The evils of inflation are, or should be, too well known to need detailed description.²⁵

James Baxter's memorandum on Central Banks, written in English, explained the main functions of a central bank. He emphasised that the sole right of note issue was a fundamental modern concept. The establishment

22 (2) S.R.0201.50.2/1. N.A. James Baxter to the State Councillor in Charge of the Ministry of Finance, 1 September 1933.

23 Ibid.

24 Ibid.

25 Ibid.

and reorganisation of central banks in the post-war period had aimed to stabilise currencies and prevent inflation. He stressed that the restoration of the gold standard had been sought in order to achieve stable currencies. He also explained the differences between the gold standard and the gold exchange standard.

Expressed in its simplest terms a free gold standard means the obligation of the Currency Authority to buy and sell gold on demand at a fixed purity. The gold-exchange standard system is in its essence the same, the difference merely being that a country elects a link between its currency and gold not directly but through the medium of an external currency based on gold.²⁶

There were two reasons why the state should not be the currency authority. A central bank was better than the government in maintaining the stability of currency, by controlling the volume of credit, the note-issue, the gold reserve, or through the discount rate. Past experience showed the temptation for governments to print notes. He again emphasised that the independence of the currency authority from political influence was vital.

The Currency Authority need not necessarily be a Central Bank although this is normally the case in highly developed industrial and commercial countries because a Central Bank has other important functions besides that of currency control.²⁷

He mentioned two countries, India and Siam, in which the government controlled the currency. With respect to Siam:

Siam is not, in my opinion, ready for the institution of a Central Banking system. This, however, does not necessarily mean that the Currency should remain in the hands of Government. The question of the establishment of a Currency Board or Currency Commission independent of Government is dealt with in a separate memorandum.²⁸

Close cooperation between the state and the central bank would be necessary. Sometimes government intervention would be required if the central bank failed. Baxter pointed out that before the war control of the central bank by the state was emphasised but since the war, the independence of the central bank and non-intervention by government, had

26 Ibid.

27 Ibid.

28 Ibid.

been the trend. Baxter saw the Bank of England and the Reichsbank in Germany as independent of government, the State Bank of Russia as subordinate to government. However, all states should have the final right to intervene with the central bank.

A national crisis such as war must, however, be sharply distinguished from the exigencies of party politics and controversy. The danger of State control of currency lies in the temptation to Government to treat its political difficulties as justifying a course of action only permissible in an emergency of an entirely different order.²⁹

Baxter then described the capital and administration of a central bank. There were three types of capital: the first was entirely subscribed by the general public; the second by the state and the public; the third by the state alone. In administration, the rights of share-holders should not compete with the public interest. Almost always, the governor or president was appointed by the state; the board members, as independent officials, should not be civil servants, directors of private banks, bill discounters, or bill brokers. With respect to note-issue and reserves: "In some countries the law specifies the reserves to be held against the combined total of note-issues and current accounts or "other immediate liabilities". In others the reserve requirements apply to note-issue only."³⁰ In most countries, gold was used to cover a minimum percentage of the note-issue, but these regulations varied considerably between different nations. The part of the note-issue not covered by gold should be covered by short-dated, first-class paper, such as drafts, bills of exchange and acceptances.

It may not be out of order to mention specially in view of certain ideas current in Siam at that moment that the practice of Central Banks is to cover the note-issue completely either by gold or short-dated paper of impeccable quality. There is no uncovered portion and issues covered by mortgages on real estate are above all other things barred.³¹

The Central Bank was the commercial banks' bank. By the concentration of bank reserves in the central bank, the latter can control the

29 Ibid.

30 Ibid.

31 Ibid.

credit supply, through buying and selling bills and securities. Baxter described the main functions of a central bank: 1) the issue of notes, 2) dealings in precious metals and foreign exchange, 3) discounts and loans, 4) deposit business especially in relation to commercial banks and 5) clearing house arrangements.³² The second function, foreign exchange, was vital for countries on a gold exchange standard.

The abandonment of the gold standard by Great Britain in September 1931 converted a number of gold-exchange standard into sterling-exchange countries. Since that date a considerable number of Governments including that of Siam have deliberately adopted the sterling-exchange standard. For all such countries, dealings in sterling are obviously an integral part of their currency policy.³³

The loans made by central banks were short term, three months, and on secured credits such as gold, first-class short-dated bills, and the highest class of securities. More importantly, the shares of companies and loans on real estate were not allowed because they were too risky. In principle there was no need for a central bank to make profits through investment. Although some central banks accepted deposits from the public, interest was not paid in general. The main function of the deposit business of central banks was to secure reserves from the commercial banks and to keep government balances, in order to control the supply of credit.

In conclusion, Baxter pointed to areas from which central banks were usually prohibited - any commercial undertaking, possession of real estate, and making unsecured loans or allowing overdrafts. Moreover, only short-term maturities, such as short-dated government securities, could be held, not long-term government securities.

The creation of a central bank is not a thing to be light-heartedly undertaken. If undertaken at all it should only be after a full and careful investigation of Siam's need for a Central Bank and of Siam's capacity to administer such an institution should the need be proven. Nothing should be done except on the advice of a foreign expert body. Nor should

32 Ibid.

33 Ibid.

Siam feel that this involves any loss of dignity on her part.³⁴

Several points arise from Baxter's memorandum. First, it seems important to investigate his motivation. A nationalist-driven movement to establish a central bank was clearly at work in Siam. However, its arguments were based not on practical, basic knowledge but on psychological desire. Baxter's memorandum aimed to introduce basic knowledge. Second, Baxter clearly opposed the establishment of a central bank. He stressed that setting up a central bank was complicated and would require great preparation. Baxter described in his memorandum the important functions of central banks, so that the Siamese government could learn valuable lessons. Third, it appears that he did not trust Siamese officials to listen to advice on a central bank. He pointed out that even the library of the Ministry of Finance did not have sufficient books on central banking, and he was certain that foreign experts would have to be hired. Fourth, it is clear that he believed that the gold standard was central to the work of a central bank. He feared that inflation, based on an increase in the note-issue, without the discipline of the gold standard, would cause financial disaster in Siam. Lastly, Baxter raised the vital question - why did Siam need a central bank? After all, the Ministry of Finance had carried out many of the functions of a central bank for a long time. In these circumstances, the only reason to establish a central bank was to exclude political influence. However, this argument seemed inappropriate because the Ministry of Finance and the Financial Adviser had made strong efforts to secure a balanced budget in order to prevent inflation. Another important reason for his opposition could be a fear that the Ministry of Finance and the Financial Adviser would lose influence - what he most feared was that an independent central bank would challenge the authority of the (British) Financial Adviser.

³⁴ Ibid.

7.4. Phraya Suriyanuwat's Plan

This section considers Phraya Suriyanuwat's central bank plan and his economic thought. As he was one of the major Siamese economic experts and a high ranking officer both before and after 1932, it is necessary to examine why and how he submitted his plan.³⁵ He was not only famous for a bureaucrat but also for the first Siamese economist because he wrote the first economic textbook *Sapphasat* in Thai in 1911.³⁶ National Archives documents show that Phraya Suriyanuwat made various suggestions on economic and financial matters after 1932, as well as his central bank plan.³⁷ There are two sources for his central bank plan. The Thai National Archives,³⁸ and his cremation book.³⁹

Before submitting his plan, Phraya Suriyanuwat wrote two letters to the Prime Minister, Phahon, in June 1934, to tell him of his intentions. The first letter, written on 16 June 1934, gave the important information that his plan was based on his book, *Setthawitya Lem 3*. He explained that he had written a section on central banking in his book, now in press, and he was sending this section to the Prime Minister, for the Ministry of Finance to examine.

³⁵ He was born in April 1862 and had an education in Penang and Calcutta. He started his civil servant career in 1876, and moved to the Ministry of Interior in 1880. He joined the Ministry of Foreign Affairs in 1887 and stayed in Europe, including Britain and France. He came back to Siam in 1905 and was appointed Minister of Public Works, and became Minister of Finance in 1906. He resigned in 1907. After the 1932 revolution he was also a member of the Economic Council in the Phahon government.

³⁶ See Phraya Suriyanuwat's economic thought in Chatthip Nartsupha, 'The Economic Thought of Phraya Suriyanuwat', in Vichitvong na Pombhejara (ed.), *Readings in Thailand's Political Economy*, Bangkok: Bangkok Printing Enterprise, 1978, pp.402-13, and Ian Brown, 'Economic thought in early twentieth-century Siam' in Manas Chitakasem and Andrew Turton (ed.), *Thai Constructions of Knowledge*, London: School of Oriental and African Studies, 1991, pp.84-98.

³⁷ S.R.0201.8/20.N.A. This file contains Phraya Suriyanuwat's various economic and financial suggestions to the government after 1932.

³⁸ (2) S.R.0201.50.2/2.N.A.

³⁹ *Ruang Thanakhanhaengchat khong Phraya Suriyanuwat* (The Central Bank of Phraya Suriyanuwat), Nai Mani Wasuwat, Phimcek nai ngan Phraratchathanphloengsop Mahaammatek Phraya Suriyanuwat, Nameeruwat Thepsirinatharawat, 11 February 1937.

Although Phraya Suriyanuwat was convinced that James Baxter, the Financial Adviser, would strongly oppose him, he thought that hearing Baxter's opinion might be useful.

The second letter was written on 17 June 1934. Phraya Suriyanuwat made three points. He asked the government to issue a law giving exclusive rights of a central bank, he maintained that the initial capital would be 20 million baht, the government committing 10 million baht and the public 10 million baht; he said that the government should issue only convertible notes and the amount of the note-issue should not exceed 50 million baht.

Phraya Suriyanuwat stressed that with cooperation from foreigners, it would be possible to collect 10 million baht, if parliament approved. He was sure people in Japan, China, and Europe, would participate. Japan had surplus capital, and intended to have an influence in Siam, and China's political instability would encourage capital outflows. Although he was confident about raising the capital, he felt that an important obstacle would be the Ministry of Finance, which would not approve a central bank handling the government's revenue and expenditure. In conclusion, Phraya Suriyanuwat emphasised the important role of a central bank, especially in offering loans. He maintained that the plans of every ministry would be of no use without a central bank.

Phraya Suriyanuwat's plan consisted of twelve pages, including a draft written in Thai and English. Referring to the Bank of England, Bank of France, Bank of Germany and Bank of Scotland and Ireland, he noted the ordinary functions of a central bank - such as selling and buying debt, offering current account and fixed deposits, and managing foreign exchange, and among these he stressed that it was important for a central bank to have enough gold reserves to support the exchange.

In examining the relationship between a central bank and the

government, Phraya Suriyanuwat said that government should protect the bank from failure. For example, a central bank's investment in property, gardens, fields, forests and mines are prohibited because of the possibility of a fall in value. Phraya Suriyanuwat saw the Bank of England as a model - a central bank should receive tax revenues and manage expenditures, instead of the Ministry of Finance. One important aim of a central bank would be to offer small-scale credit, not exceeding fifty baht with security. Offering credit to companies - in commerce, industry and handicrafts - would help bring about prosperity. However, the risk of bankruptcy and loss of loans suggested that the bank should not offer loans easily, and for not more than six months.

The draft of a central bank was written in Thai and English. The name of the central bank would be 'The National Bank of Siam': it would be established in Bangkok, and would be expected to support and develop agriculture, commerce and industry. There would be fifteen functions of the bank. The first to fourth concerned capital. The total share capital would be fixed first at twenty million baht, possibly increasing to 40 million baht.⁴⁰

The fifth to eighth concerned the main functions of the bank. The bank could buy and sell gold, silver, and drafts in foreign currency, negotiate bills, and give loans. It was not allowed to buy shares or make investments in land, farms, plantations, rice-fields, forests, mines, fisheries, or ships. Gold, silver, precious stones, jewels, bonds and other securities could be held in the bank's vaults. The ninth to eleventh concerned the exclusive right to issue legal tender in Siam. The maximum note-issue would be 50 million baht, and the consent of the Prime Minister, authorised by a special act of the Assembly, would be required to exceed this amount. The value of bank notes

⁴⁰ (2) S.R.0201.50.2/2.N.A. The allocation of new shares was as follows: 'The old shareholders to have the preference to subscribe for the new shares at the price to be decided by the Board of Directors of the Bank, which shall not be less than its normal value augmented by each share's part of the Reserve Fund.'

should be covered at least 50% by gold in the deposit of the bank, the remainder by drafts in local and foreign currency. The bank notes could be redeemed in legal tender coin. The twelfth point concerned the management. The board would consist of eleven members, divided into two groups. The Governor and five members nominated by the Prime Minister, and five members selected by the shareholders. The thirteenth concerned disposal of net profits:

a) to the reserve fund 10% of the net profits until the fund amounts to 50% of the Share Capital; b) to the share-holders 6% of the paid up Capital. This dividend of 6% being paid on the shares for the last and previous years; c) the Surplus to be divided into 7 parts, 4 parts to the Government and 3 parts to the Share-holders.⁴¹

The fourteenth point concerned the bank's role as agent of the government; and the last allowed the government to contribute up to 50% of the capital.

There are a number of points to be made about Phraya Suriyanuwat's plan. He was flexible over the bank's capital structure. Although the government would control up to 50% of the capital, the rest was open to Siamese and foreigners. Europeans, Chinese and Japanese were considered potential investors. He was well aware of the difficulty of raising capital from the Siamese, the only possible source was foreigners. Second, he paid much attention to the bank's note-issue, and indirectly suggested that it should be carefully controlled in order not to cause inflation - his general approach was conservative and orthodox. There was a big difference here between Kimpong and Phraya Suriyanuwat. Phraya Suriyanuwat had a more realistic picture, driven not by the passion of nationalism but by academic and careful consideration. Third, it is clear that Phraya Suriyanuwat maintained that the central bank should handle government revenues and expenditures instead of the Ministry of Finance, although there was no explanation of the point. This might be his weakest section. Furthermore, the main justification for a central bank was not well

⁴¹ Ibid.

explained.

Another source for Phraya Suriyanuwat's ideas on a national bank was his cremation book by Mani. *Phraya Suriyanuwat's national bank*, a document of forty two pages, consists of several articles from the Thai newspaper *Srikrung* published in 1934 and 1936.⁴² Although the cremation book was edited by Mani, the author of the articles is Phraya Suriyanuwat. He explained his plan in detail and tried to persuade the reader of the necessity for establishing a national bank. The volume consists of seven main sections: policy to improve the stagnant domestic economy, the character of national bank, the establishment of a national bank, the reason why the economy is stagnant, important principles of a national bank, policy for the bank and national bank. Here it is useful to discuss Phraya Suriyanuwat's thought on the economic development of Siam, using the valuable work of Sirilak Sakkriangkrai.⁴³

From Sirilak it is clear that Phraya Suriyanuwat stressed the importance of state engagement in the economy. Sirilak pointed out that Siamese industry was underdeveloped because of lack of participation and support from the government.⁴⁴ In fact only the Siam Cement Co. had been supported by the government; private companies such as Boon Rawd Brewery, had had little government support. In addition the low import tariff of three per cent, forced on Siam by the western powers from the Bowring Treaty of 1855, had acted as an obstacle to the expansion of Siamese domestic industry. Although treaty revision in the mid -1920s had brought fiscal autonomy, the Siamese government had not shown any real interest in

⁴² The dates of these articles are 11 May, 3 July, 11 August, 14 August, 15 August, 18 August in 1934; and 16 April, 18 April, 22 August, 26 August in 1936.

⁴³ Sirilak Sakkriangkrai, 'Naewkhawmit thangsetthakit khong Phraya Suriyanuwat nai Setthawitthaya Lem 3' (The economic thought of Phraya Suriyanuwat in Setthawitthaya Lem 3), Sirilak Sakkriangkrai (ed.), *Phraya Suriyanuwat (Koet Bunnak) Naksetthasatkhonraekkhong muang Thai* (Phya Suriyanuwat (Koet Bunnak): Thailand's First Economist), Bangkok, Thai Wathana Phanit, 1980, pp.33-56.

⁴⁴ Ibid., p.45.

promoting domestic industry.

Phraya Suriyanuwat proposed to establish protective tariffs against imports in order to expand domestic commerce, handicrafts and industry.⁴⁵ He also sought to protect jobs for Siamese against foreigners, particularly the Chinese. Phraya Suriyanuwat proposed to levy a fee on all foreigners, including Chinese, who competed for Siamese jobs.⁴⁶ Such protectionism was common. Pridi, Mangkorn and Kimpong had proposed it, particularly import restrictions.

Third, Phraya Suriyanuwat advocated the introduction of a new tax system which aimed to reduce the gap between the rich and the poor. He pointed out that the main source of tax revenue was the poor, through the capitation tax, and that the rich contributed little to the government's tax revenue. He maintained that the government should collect tax not from the poor but from the rich.⁴⁷ The disparity in income could be seen not only between rich and poor but also between country and town. Phraya Suriyanuwat pointed out that people in rural areas were disadvantaged in several respects, such as access to police, doctors, hospitals and schools.⁴⁸ Phraya Suriyanuwat tried to secure a re-distribution of wealth by a new tax system, abolishing the capitation tax and introducing an inheritance tax or confiscating the assets of the *Sakdina*.⁴⁹

Fourth, Sirilak compared the model of Japanese economic development with Phraya Suriyanuwat's ideas. In Japan, Sirilak pointed out, the government played an important role in promoting industry, relying on government guarantees, low interest loans, and new taxes like the land tax.⁵⁰

45 Ibid.,p.44.

46 Ibid.,p.45.

47 Ibid., p.42.

48 Ibid.,pp.42-43.

49 Ibid.,p.52. The capitation tax was abolished on 1 April 1939. An inheritance tax was in place from 1935 to 1938. Its failure was explained by the few number of rich people, and a general reluctance to invest in commerce. Ibid.,p.54.

50 Ibid.,p.50.

An interesting point made by Sirilak concerns the difference between Japanese practice and Phraya Suriyanuwat over economic development strategy. In Japan, private companies had the freedom to engage in business and became rich rapidly with government support. In other words, Japanese companies gave low wages to labourers, and this exploitation made it possible for the capitalists to accumulate capital.⁵¹ But Phraya Suriyanuwat wanted to reduce the power of the capitalists and increase the capital of the poor and financial policy was expected to do this.⁵²

Fifth, the role of the foreign investor in Siam is sometimes confused in Phraya Suriyanuwat's argument. He welcomed foreign participation in the national bank because Siam lacked capital. However, Sirilak pointed out that Phraya Suriyanuwat opposed foreign loans to promote business and industry in Siam.⁵³ Mani's volume also shows the problem of depending on foreign capital.⁵⁴ Foreigners would send profits back to their own countries, so that they would not be used in Siam. Sirilak argued that Phraya Suriyanuwat's national bank should raise capital from the Siamese.⁵⁵

Lastly, the role of a national bank was discussed. However in the absence of clear definitions, there is considerable confusion. For example, Phraya Suriyanuwat did not distinguish the functions of a central bank and a

51 Ibid., p.51.

52 *Ruang Thanakhanhaengchat khong Phraya Suriyanuwat* (The Central Bank of Phraya Suriyanuwat), Nai Mani Wasuwat, Phimcek nai ngan Phraratchathanphloengsop Mahaammatek Phraya Suriyanuwat, Nameeruwat Thepsirinatharawat, 11 February 1937, p.35.

53 Sirilak Sakkriangkrai, 'Naewkhwaikit thangsetthakit khong Phraya Suriyanuwat nai Setthawitthaya Lem 3' (The economic thought of Phraya Suriyanuwat in Setthawitthaya Lem 3), Sirilak Sakkriangkrai (ed.), *Phraya Suriyanuwat (Koet Bunnak) Naksetthasatkhonraekkhong muang Thai* (Phraya Suriyanuwat (Koet Bunnak): Thailand's First Economist), Bangkok, Thai Wathana Phanit, 1980, p.40.

54 *Ruang Thanakhanhaengchat khong Phraya Suriyanuwat* (The Central Bank of Phraya Suriyanuwat), Nai Mani Wasuwat, Phimcek nai ngan Phraratchathanphloengsop Mahaammatek Phraya Suriyanuwat, Nameeruwat Thepsirinatharawat, 11 February 1937, p.36.

55 Sirilak Sakkriangkrai, 'Naewkhwaikit thangsetthakit khong Phraya Suriyanuwat nai Setthawitthaya Lem 3' (The economic thought of Phraya Suriyanuwat in Setthawitthaya Lem 3), Sirilak Sakkriangkrai (ed.), *Phraya Suriyanuwat (Koet Bunnak) Naksetthasatkhonraekkhong muang Thai* (Phraya Suriyanuwat (Koet Bunnak): Thailand's First Economist), Bangkok, Thai Wathana Phanit, 1980, p.40.

national bank. It is clear that Phraya Suriyanuwat considered a national bank an important institution to support commerce and industry through loans, to support the poor with loans.⁵⁶ But this has nothing to do with a central bank. However, offering loans through the local administration to develop the economic infrastructure - such as power stations, water supplies, irrigation and transportation - could be a function of a central bank.⁵⁷ Phraya Suriyanuwat's national bank can be said to be a mixture of a central bank and an industrial bank. Although Phraya Suriyanuwat stressed the importance of making loans to commerce and industry, there was no detailed explanation. Moreover, although government initiative in the economy was emphasized, no explanation was given of how the shift from the private sector to state intervention would be achieved.⁵⁸ In conclusion, Phraya Suriyanuwat proposed a national bank to promote economic development but in mixing up the functions of a central bank and a national bank, the issue was confused.

7.5. The Establishment of the National Banking Bureau in 1939

There are several points to be discussed in this section. First, Pridi Phanomyong, the Minister of Finance, and Prince Viwat, the first Thai financial adviser, played crucial roles in the establishment of the Bureau. But they had different views on the Bureau, Pridi had a nationalist motivation; the emphasis on economic factors came from Prince Viwat. Second, the

⁵⁶ *Ruang Thanakhanhaengchat khong Phraya Suriyanuwat* (The Central Bank of Phraya Suriyanuwat), Nai Mani Wasuwat, Phimcek nai ngan Phraratchathanphlengsop Mahaammatek Phraya Suriyanuwat, Nameeruwat Thepsirinatharawat, 11 February 1937, p.2.

⁵⁷ *Ibid.*, p.2.

⁵⁸ Sirilak Sakkriangkrai, 'Naewkhwaangkit thangsetthakit khong Phraya Suriyanuwat nai Setthawitthaya Lem 3' (The economic thought of Phraya Suriyanuwat in Setthawitthaya Lem 3), Sirilak Sakkriangkrai (ed.), *Phraya Suriyanuwat (Koet Bunnak) Nakseithasatkhonraekkhong muang Thai* (Phraya Suriyanuwat (Koet Bunnak): Thailand's First Economist), Bangkok, Thai Wathana Phanit, 1980, p.53.

economic situation around 1939 was quite sound, with a secure trade surplus and balanced budget. The fundamental question is why was the Bureau, with some functions of a central bank, created in spite of the slow development of commercial banking in Siam? To put it another way; foreign banks dominated the exchange business, foreign merchant houses and small Chinese banks dominated the rice export business. There was no organized credit market, making loans to commerce, manufacturing or the service sector. The foreign banks did not need a bureau with the functions of a central bank because their main concern was the foreign exchange business, and the domestic Chinese banks were not expected to benefit from the bureau because of the lack of an organized credit market. Third, the role of the foreign Financial Adviser will be examined. In general, the financial advisers were against the idea of a central bank, for several reasons. When Pridi invited Doll to be Financial Adviser, he was expected to play an important role in the establishment of Pridi's central bank. How did Doll respond to Pridi's idea? What was the difference between Doll and Baxter, the previous adviser, on this issue? Lastly, the establishment of the National Banking Bureau in 1939 should be seen in relation to the plans by Kimpong and Phraya Suriyanuwat.

When Pridi was appointed Minister of Finance under Phibun in December 1938, he moved to set up a central bank. He invited W.A.M. Doll to be Financial Adviser, to be involved in the central bank plan, and made Prince Wiwattanachai Chaiyant, called Prince Viwat, the first Thai adviser to the Treasury after the 1932 revolution. Doll was doubtful about Pridi's central bank plan; he considered that the time was not ripe. A British Foreign Office official recounted Doll's opinion on Pridi's central bank plan;

Luang Pradist has been long connected with the agitation for a Central Bank and I have a feeling to-day that he is still hankering for it. As you know, this agitation gets no sympathy from me. Apart from the country not yet being ready for a Central Bank, the capital for

the Bank would have to be found out of the Treasury Reserve: and at the present moment the Treasury Reserve simply could not stand it.⁵⁹

But in the end, Doll was persuaded by Pridi to draft an act for the establishment of a national bank. At the time the relationship between Pridi and Prince Viwat was not good, because Pridi emphasized the political reasons for the bank while Prince Viwat worried about the dangers of inflation for political reasons. T.H. Silcock describes their relations:

In his early days as financial adviser Prince Viwat had devoted effort to cooling the ardour of the Finance Minister, Pridi Phanomyong, for a central bank. He was afraid both of the inflationary dangers of Pridi's view that a central bank could overcome the government's difficulties in collecting revenue, and also of the financial hazards of starting an institution dealing in such large sums of money with so few qualified officials.⁶⁰

Before examining in detail the establishment of the National Banking Bureau in 1939, the fundamental question, the necessity for a central bank in Siam, must be considered. Charoen Chinalai and P. Sithi-Amunuwai describe this problem:

To many people in Thailand, even the learned, the principles of finance and the theory of money were a closed book during the 1930's; it was not surprising therefore that the Treasury, during that time, opposed the idea of a central bank mainly on the ground that it could render little service to the country. The urgent institutional need for the country then was thought to be an organised system for agricultural credit - a problem outside the scope of central banking. Furthermore, it was argued that Thailand's banking business was mainly in the hands of foreign bankers who would not use the facilities offered by a central bank even if it were established. Without being able to hold the cash reserves of the commercial banks, a central bank could not function. The prerequisite for a central bank must be a national banking system. This was not in existence in Thailand then, and even the Thai banks then operating were under foreign management.⁶¹

This argument is accurate, the role of a national bank or a central bank in the economic plans of the time was always to support the establishment of an agricultural bank, but this is outside the scope of central banking.

⁵⁹ W.A. Doll to Sir Otto Niemeyer, 30 December 1938. Enclosed in J. Crosby to G. Howe, 2 January 1939, F352/242/40, FO 371/23590, PRO.

⁶⁰ T.H.Silcock, 'Money and Banking', T.H.Silcock, (ed.), *Thailand: Social and Economic Studies in Development*, Canberra: Australian National University, 1967, p.178-9.

⁶¹ Charoen Chinalai and P. Sithi-Amunuwai, 'The Commercial Banks and the Bank of Thailand', Paul Sithi-Amnuai (ed), *Finance and Banking in Thailand: A Study of the Commercial System, 1888-1963*, Bangkok: Thai Watana Panich, 1964, p.97.

Furthermore, the lack of commercial banks, especially Siamese banks, meant that there was no organized credit market requiring a central bank with control over the cash reserves of the commercial banks.⁶²

Doll thought Pridi's aim in establishing a state bank was for political reasons. He wrote to Sir Otto Niemeyer, Governor of the Bank of England :

I would particularly draw your attention to Luang Pradit's ideas on a State Bank, which he is determined to have for political reasons. You will see that he is prepared to be entirely guided by the Bank of England in the form his bank should take and he has charged me with the duty, during my leave, of putting myself in touch with the Bank in order to get their opinion.⁶³

Coultas, Chargé d'Affaires at the British Legation in Bangkok, reported on Pridi's ideas to the Foreign Office:

It will be observed that, if these draft proposals are followed, the State Bank, if established, will at its inception be little more than an extension of the Treasury and be vested with only the less important functions of a central bank. For the moment Luang Pradist, who desires at present only to make political capital out of its establishment, will, it seems, be satisfied with the shadow of a State Bank and be content to postpone his pursuit of the substance until a latter date.⁶⁴

There are several questions to be considered concerning Pridi and the Financial Advisers. First, why did Doll agree to submit a draft enabling an act for the establishment of a state bank given his poor view of Pridi's ideas?⁶⁵ Second, when Doll returned to England on this matter, Pridi appointed F.R. Dolbeare, an American Foreign Affairs Adviser in Siam, as Financial Adviser as well. Why did Pridi do this? It would appear that although Doll was persuaded to draft the act, he was still opposed to Pridi's

⁶² Ibid., p.33. 12 banks were established in Siam between 1888 and 1941. Of the 12, 7 were foreign banks, consisting of three British, two Chinese, one French, and one Japanese.

⁶³ Coultas to FO No. 192, 17 April 1939, F4039/242/40, FO 371/23590, PRO.

⁶⁴ Ibid.

⁶⁵ Ibid. Doll described Pridi's plan for a state bank as follows: 'The attached note sets out the Minister's ideas on his project of a state bank. It is important to remember that they are only ideas. He wants a State Bank largely for political reasons and has told me that his real desires are limited to - 1. An extension of the Treasury able to cope with Government payments by Treasury Drafts. 2. attachment to this extension of the Currency Department but without any change in the existing Currency Act. 3. The creation of a separate entity to deal with these two activities. 4. The label over the door showing that it is a separate entity.'

national bank. The British Foreign Office sent him a telegram:

I fear that you misjudge the situation. Luang Pradist, for reasons of his own, is determined to have his national bank; and, if you are not prepared to help him, he will discard your advice.....My strong recommendation is that you should make the best of a bad job and cease further opposition to his scheme.⁶⁶

It would appear that Pridi appointed the American as Financial Adviser in order to reduce Doll's position in the Ministry of Finance. Crosby, the Chargé d'Affaires, offered a critical comment on Doll's response to Pridi:

Pradist has just asked Dolbeare to go on being his adviser as regards the National Bank even after Doll's return. Moreover, as you know, a Thai Financial Adviser was appointed in addition to Doll some months ago, so that, when Doll gets back, there is a very fair chance of his being side-tracked. The Thais are very good at that game; if they dislike a man they just leave him to draw his pay, without consulting him or giving him responsible work to do.⁶⁷

Third, why did Pridi appoint Prince Viwat as the first Thai Financial Adviser? It is important to remember that Prince Viwat had criticised the memorandum on a central bank in October 1934 when he was Director-General of the Revenue Department. In this memorandum there were four suggestions.⁶⁸ First, the government should establish a central bank. Second, the bank should have a gold reserve fund. Third, in order to accumulate gold for the reserve fund, the government should engage in forestry, saw-milling, mining, for export. Lastly, the government would undertake these activities by means of loans from the central bank. But Prince Viwat pointed out that central banks could not make loans to government or municipalities to engage in mining, construction or on electricity generation. The function of a central bank was to control the domestic currency.⁶⁹ Regarding the gold reserve fund, he pointed out that this would be a sterling fund, held in London, not in Bangkok. Held in London it would benefit British financial

⁶⁶ Crosby to FO No.108, 25 September 1939, F10435/242/40, FO 371/23590, PRO.

⁶⁷ Crosby to Howe, 6 October 1939 (32/65/39), F11140/242/40, FO 371/23590, PRO.

⁶⁸ Wiwattanachaiyanuson, *Thanakanhaengprathet Thai* (Bank of Thailand) Phimnagan Phraradchathan phoengphrasop Phraworawongthoe Phra ongchao Wiwattanachai, Nameru Watthepsirinatharawat, 1 April 1961, p.60.

⁶⁹ Ibid. p.61.

institutions, not Siam. He raised a fundamental question: what would be the benefit of bringing the fund back to Siam to cover imports? If it was used to purchase imports, the baht would be just paper.⁷⁰

Four points contributed to the success in establishing the National Banking Bureau, according to a Bank of Thailand publication.⁷¹ The first is that when the second world war broke out in Europe in 1939, the British controlled Siam's foreign exchange. Therefore, many Siamese withdrew their money from the British commercial banks in Siam: a National Bank was thus required to support the commercial banks. Second, the government made three internal loans - for agriculturalists, for industrial development, and for the municipalities - with a total of 60 million baht over 30 years. Therefore it was necessary for the government to have an organisation to arrange these loans. Third, it was necessary for the government to have a financial organisation to promote its commercial policy based upon *Charitniyom* (ultra-nationalism). Lastly, the government needed an organisation to support the establishment of a *Borisat Changwat* (Provincial Company).

The National Banking Bureau was established in the Ministry of Finance, to manage government loans, accept government funds on deposit, and receive part of the commercial banks' cash balances for the purpose of cheque clearance.⁷² It is interesting to point out that the British diplomats and bankers did not regard the Bureau as a threat to British interests. FitzGerald of the Hongkong and Shanghai Banking Corporation noted:

⁷⁰ Ibid. pp.61-2.

⁷¹ Thanakhan Haeng Prathet Thai (Bank of Thailand), *50 Pi Thanakhan Haeng PrathetThai* 2485-2535, (50 years of the Bank of Thailand, 1942-1992), 10 October 1992, p.50.

⁷² Crosby to FO No.541, 3 November 1939, F12003/242/40, FO 371/23591, PRO. p.5. See the translation of the Act for the Establishment of the Thai National Banking Bureau, B.E.2482 (1939).

you will have gained the impression that I do not consider Thailand 'ripe' yet for Central Banking but if they must have a Central Banking System and found it on well-acknowledged lines I do not fear its competition with the British Exchange Banks.⁷³

Doll's view of Pridi's national bank was highly critical:

Withdrawal of Government funds from the market and their centralisation in a National Bank must in any case disorganise Siamese banking structure. Under present war conditions such disorganisation must be greatly increased. Strongly urge that consideration of creation of National Bank be therefore postponed for the present.⁷⁴

The Bank of Thailand, established in December 1942, had a quite different background from that of the National Banking Bureau in 1939. The outbreak of World War II in 1939 and Thailand's neutrality saw an expansion in exports, especially rice. The British Empire was Thailand's main trading partner and settlements were in sterling. However, the Japanese-Thai Pact in 1941 and the Thai declaration of war against Great Britain and the United States in January 1942 forced Thailand to have close links with Japan. Financial and commercial relations with the West came to an end. Thailand's external assets held in Allied countries were confiscated, and the sterling exchange standard was ended. The baht was now linked to the yen. For Thailand, only Japan and her Allies were trading countries. For example, in 1941, 36% of Thailand's total trade had been with Japan. This jumped to 72% in 1942.⁷⁵

The Japanese government asked the Thai government to accept three principles: to fix the baht at par with the yen, to settle trade and financial transactions between Thailand and Japan in yen and to establish a Central

⁷³ Ibid., p.9. FitzGerald gave his views on the functions of central banking:- the issue of notes, dealing in foreign exchange, deposit business, discounts and loans, and control of the commercial banking system. He examined each function in Siam: the government already controlled the issue of notes and foreign exchange. The lack of sufficient commercial banks made it difficult to secure deposits and control the commercial banking system. The British exchange banks did not engage in discounting local bills and loans in Siam. Therefore he was opposed to a central bank in Siam. See in detail, pp.7-9.

⁷⁴ Doll to Crosby, 22 September 1939, F10393/242/40, FO 371/23590, PRO.

⁷⁵ Paul Sithi-Amnuai (ed), *Finance and banking in Thailand: A study of the commercial system, 1888-1963*, Bangkok: Thai Watana Panich, 1964, p.57.

Bank with a Japanese adviser and a Japanese head of department.⁷⁶ The first caused a baht devaluation against the yen of about 36%, leaving Japanese imports from Thailand much cheaper, while Thailand would pay a higher price for imports from Japan. Prince Viwat felt that Thailand had no choice but to accept the first and second principles.⁷⁷ But he was afraid that the establishment of a Central Bank by a Japanese initiative would cause inflation in Thailand, through the issue of Japanese military scrip.⁷⁸

an institution fully equipped with a Japanese staff might have been set up to control Thai currency. On the other hand, graceful acceptance of the suggestion and adoption of it as one's own would certainly prevent pressure and might consequently avoid foreign control of the national currency.⁷⁹

His two main aims - to prevent inflation by the issue of Japanese military scrip, and to prevent the appointment of a Japanese adviser and Japanese head of department - were achieved. However, the pact between Thailand and Japan forced Thailand to supply the Japanese military with all the baht they required, against yen credits in Tokyo. Furthermore, the baht devaluation against the yen created a high demand for baht, which forced the Bank of Thailand to issue more notes.

To put it in a nut-shell, the problem before the Treasury was to prevent the use by the Japanese of their own military scrips and to maintain the Baht as the sole currency of the country. This object could only be achieved by providing the Japanese with Baht funds. As the Treasury was already unable to make both ends meet, it had no choice other than to issue new notes and face the danger of an inflation, which it hoped to minimise by endeavouring to restrict as much as possible the extent of Japanese expenditure. The Treasury further attempted to safeguard the future of the currency, in so far as lay in its power, by insisting upon gold in return for the notes.⁸⁰

Although facing inflationary pressures, Prince Viwat maintained gold rather

⁷⁶ Wiwattanachaiyanuson, *Thanakanhaengprathet Thai* (Bank of Thailand) Phimnaigan Phraradchathan phoengphrasop Phraworawongthoe Phra ongchao Wiwattanachai, Nameru Wattheprsintharawat, 1 April 1961, pp.67-8.

⁷⁷ Ibid., p.68.

⁷⁸ Ibid., p.80.

⁷⁹ Ibid. The second part, Kanthang Thanakhan Haeng Prathet Thai (The establishment of the Bank of Thailand) p.58. The memorandum about the Bank of Thailand was written in English by Prince Viwat in July 1944. See his memorandum, pp.53-71.

⁸⁰ Ibid. p.125.

than yen as the cover for issuing notes. He negotiated to purchase gold from the Japanese government, and the Bank of Thailand acquired 26.7 million grams, valued at 129 million baht, from Japan. The Bank of Thailand was asked to deposit that gold, and its existing gold, with the Bank of Japan.⁸¹

In conclusion, the Bank of Thailand was established for political rather than economic reasons. Although several plans for a central bank appeared after 1932, they had no direct effect on the establishment of the Bank of Thailand in 1942, while the establishment of the Thai National Banking Bureau in 1939 was related to Pridi's political ambitions.⁸² The existence of the Thai National Banking Bureau in the early 1940s made it possible for the Thai to argue that they did not need a Japanese adviser and Japanese head of department in the Bank of Thailand.

In conclusion, the Bank of Thailand was established for political rather than economic reasons. Although several plans for a central bank appeared after 1932, they had no direct effect on the establishment of the Bank of Thailand in 1942, while the establishment of the Thai National Banking Bureau in 1939 was clearly related to Pridi's political ambitions. The existence of the Thai National Banking Bureau in the early 1940s made it possible for the Thais to argue that they did not need a Japanese adviser and a Japanese head of department in the Bank of Thailand.

A central bank or national bank were also important in three plans, those of Mangkorn Samsen, Pridi, and Phra Sarasas, which were examined in Chapter 3. However, there were also vague definitions of banks in the plans of Kimpong and Phraya Suriyanuwat. Although every author felt it

⁸¹ Ibid., p.81. The amount of Thai gold deposited with the Bank of Japan was 38.8 million grams.

⁸² Ibid. The second part, p.60. Prince Viwat wrote: 'The middle of the year 2481 (1938) found a new Finance Minister installed in the Treasury and upon his initiative, the question of establishing a Central bank was again taken up.but it was finally decided that at least some gesture should be made for political reasons and opportunity taken to train young men in the routine business of deposit banking. The question was the form that the gesture should take'.

necessary to find finance for agriculture, manufacturing, and commerce, this weak point was repeatedly attacked by the financial adviser.

Conclusion

This conclusion focuses on three points: the 'bureaucratic polity' model of Riggs, the government's responses to the plans and proposals and the origins of economic nationalism in Siam.

The slow implementation of economic policy in Siam in this period can be explained by Riggs' bureaucratic polity model. However, careful examination of it will show certain significant weaknesses.

According to Riggs, power in Thailand is placed in a 'bureaucratic polity' which contains the armed forces, police, and civil administration, so that political parties, the Assembly, and interest groups fail to control bureaucracy.

The actual political system that was set up in 1932 corresponds to the implicit premises of the June manifesto. Cabinet members, for the most part, have been officials who have risen to political eminence; and in the conduct of their roles as members of a ruling circle, cabinet politicians have shown themselves more responsive to the interests and demands of their bureaucratic subordinates than to the concerns of interest groups, political parties, or legislative bodies outside the state apparatus.¹

Riggs' framework of the 'bureaucratic polity' is useful to see how the various cliques in the ruling circle competed with each other to gain power and their close reliance on influential Chinese entrepreneurs. In other words, politicians and the bureaucracy demanded an economic base, and in return the Chinese looked for political protection and economic concessions.

¹ Fred W Riggs, *Thailand: The Modernisation of a Bureaucratic Polity*, Honolulu, East-West Center Press, 1966, p.312.

Riggs's study shows their close relationships.² However his application of the model to the early 1930s, particularly after 1932, seems to have several weak points. Girling attacks the Riggs model as follows:

First, Riggs overstates the purely factional content of political rivalry. As he sees it, national politics is simply a struggle for power and advancement of interests among competing factions and cliques. In this context, such ideas as 'Right' and 'Left' or 'conservative' and 'liberal' have no meaning. This overlooks the fact that state intervention in economics as opposed to a laissez-faire approach was an important issue in Thailand during the period Riggs describes. Moreover Sarit's takeover in 1958 was a turning-point, not just in the replacement of one patronage group by another, but also in basic economic strategy, which in turn had important political implications.

In the second place, Riggs was unduly influenced by the 'consensus' model of Thai politics which played down the conflicts and the cleavages in Thai society in the belief either that they were unimportant or that, if important (as were the obvious differences between a small ruling elite and a large, subject, rural population), Thai society was sufficiently prosperous, contented, or apathetic to contain these differences. Riggs implicitly holds the view that only elite politics counted.

The third weakness is the way Riggs tends to combine the military and civilian components of the bureaucracy, without adequately distinguishing between the military as a separately recruited 'caste' with its own loyalties, interests and goals, and the civilian administrators, characterised by different forms of education, professional expertise, career structure and personal expectations.

Finally, Riggs' concentration on factional motivation (the material interests of bureaucratic leaders) overlooks the objective effect of political-economic linkages in sustaining unrepresentative regimes.³

Relying on Girling's argument, my study exactly illustrates Riggs's first and second weak points. His model cannot explain why state intervention in the economy became central from the mid-1930s. The ideological arguments covered in Chapters 3 and 4 show that it did not come from a factional or struggle within the ruling circle. Pridi's plan came from the manifesto of the People's Party, Mangkorn's was that of a private merchant, and Phra Sarasas aimed to deal with the economic crisis caused by the world depression. These important plans came from outside the bureaucracy,

² Ibid., see Chapter IX, 'Politics, Administration, and High Finance', pp.242-310.

³ John L.S. Girling, *The Bureaucratic Polity in Modernizing Societies: Similarities, Differences, and Prospects in the ASEAN Region*, Singapore, Institute of Southeast Asian Studies, 1981, pp.10-11.

but were influential on decision-making. It might be said that these people belonged to the Siamese elite and that these plans originated from their faction or clique. However, my study shows that their plans aimed not to expand their economic base but rather were ideological, in that they had a view as to how the Siamese economy should be directed. Moreover, there was an ideological conflict over state intervention in the economy (Pridi and Phra Sarasas) and a laissez-faire strategy (Mangkorn). Besides these three figures, minor plans or projects which were discussed in Chapter 4 also reflected this ideological conflict. The ideological - economic arguments which originated with Pridi led to the state intervention in the economy which took place in the Phibun period. This argument clearly contradicts Riggs' view that

national politics becomes more simply a struggle for power as an end in itself among competing cliques and factions. In this context, such ideas as 'right' and 'left', 'conservative' and 'liberal', 'clerical' and 'anti-clerical' have no meaning. The question is merely 'Who rules?' not 'What does he stand for?'⁴

Secondly, Riggs' model is not suitable to explain the diversified, dynamic and changing Siamese society before and after 1932. As he focused only on the Siamese elite, other important groups of the middle class, including lawyers, merchants, clerks, teachers, journalists, students and the press are completely missing. Nakharin's work illustrates a dynamic Siamese society before and after 1932, by focusing on the various social strata including the middle class.⁵ My study, in Chapter 5, also shows the importance of these political, economic and social strata in society. There are two points to be made here in contrast to Riggs' model. Firstly, the economic plans and ideas originated not only from the Siamese elite but also the middle class and the press. The planners mentioned in Chapters 3, 4, and 5

⁴ Fred W Riggs, *Thailand: The Modernisation of a Bureaucratic Polity*, Honolulu, East-West Center Press, 1966, p.212.

⁵ Nakharin Mektrairat, *Kanpawiat sayam ph.s.2475* (The 1932 Revolution in Siam), Bangkok: Mun nithi khongkan tamra sangkhomsat lae manutsayasad, 1992.

had various occupations and educational backgrounds. Lawyers and merchants showed a keen interest in economic issues, including how to deal with the economic depression. It might be said that these plans and ideas of the middle-class and the press did not have any direct influence on the government, but this requires further study of the Assembly's proceedings. Although Riggs does not think much of the functions of the Assembly, major issues were discussed there.

Riggs notes: By taking official positions and consenting to the formation of the State Council, the promoters of the revolution effectively surrendered their power over the bureaucracy. Thenceforth, political struggles took place within the bureaucracy, between its rival cliques. Both the monarchy and the parliamentary and party apparatus became decorations, utilized and maintained primarily as means of legitimizing decisions made behind the closed doors of the governmental machinery.⁶

Pasuk and Baker suggested: Under the 'permanent' constitution enacted in late 1933, the People's Committee was replaced by a British-inspired system of a Cabinet responsible to a partially elected Assembly. However, various provisions limited the effectiveness of the Assembly. Only half of its members were elected, the election process was indirect, election candidates had to be vetted by the appointive members, and political parties were forbidden. The government could control this Assembly through the appointive portion, and was never seriously inconvenienced by its strictures or deliberations.⁷

Vital questions are raised by these two quotations, was the Assembly's function simply to legitimize the decisions of the government or was there serious confrontation between the government and the Assembly?

Before answering these questions, the election system and an analysis of MPs in the 1930s must be noted. After the 1932 revolution, 28 June 1932, the first national representative assembly opened with a total of seventy members, all of whom had been appointed by the new military leadership. Among them, thirty-three were members of the People's Party,

⁶ Fred W Riggs, *Thailand: The Modernisation of a Bureaucratic Polity*, Honolulu, East-West Center Press, 1966, p.162.

⁷ Pasuk Phongpaichit and Chris Baker, *Thailand: Economy and Politics*, Kuala Lumpur, Oxford University Press, 1995, p.256.

and most of the remainder were high-ranking officials of the old regime. In the 1930s, there were three elections (1933, 1937, and 1938). During these elections, there were two types of member: the first-category member through election (indirect in 1933 and direct in 1937 and 1938), and the second-category member appointed by the ruling clique. In 1933, 78 of the first-category members were indirectly elected and consisted of 21 lawyers, 16 civil servants, 15 merchants and 11 retired or resigned civil servants.⁸ Among the 78 second-category members, 47 were members of the People's Party. During these three elections various social classes were elected to the Assembly (See Table 8-1). There were many lawyers and merchants and civil servants. The first-category members were important because they voiced the voter's concerns.

Confrontation between the cabinet and the assembly occurred several times, for example, over Pridi's plan. The Assembly could use a no-confidence vote, and this tactic was successful twice, in September 1934 and in July 1937. The first arose from dissatisfaction with the international rubber agreement, and the latter over a crown lands scandal. The former brought about the resignation of Phra Sarasas, the Minister of Economic Affairs. The latter was a setback for the government. Liang Chaiyakal, the Ubon representative, revealed in the Assembly that he had found that crown land in Bangkok was being sold off at low prices to members of the ruling clique, including government ministers and promoters.⁹ The cabinet resigned.

The two cases above illustrate that the Assembly was not simply decorative as Riggs maintained, and that the government was sometimes

⁸ Nakharin Mektrairat, *Kanpatriwat sayam ph.s.2475* (The 1932 Revolution in Siam), Bangkok: Mun nithi khroongkan tamra sangkhomsat fae manutsayasat, 1992, p.277. All members were male and the number of university graduates was 21.

⁹ Liang named thirty-four people in this scandal, including Prince Aditya Dib-abha, the senior regent, Phibun, Adul, the police chief, Phya Phahon's (Prime Minister) wife, and Phya Ritthi, the Minister of Agriculture. See detail in Judith Stowe, *Siam becomes Thailand: A Story of Intrigue*, Honolulu, University of Hawaii Press, 1991, pp.95-97.

seriously inconvenienced by its strictures and deliberations. Murashima's study of political parties between 1932-1945 also assesses the role of the assembly in terms of its opposition to the government. 'The other form of opposition was that coming from first-category assembly members who demanded the legalization of political parties and the establishment of a multiparty system.'¹⁰ In the assembly, various economic issues were debated: for example, Mangkorn Samsen's debate whether to join the international tin scheme in the 1930s.

Mangkorn's position in the Assembly is shown by his letter to Phahon, the prime minister, on 29 June 1933.¹¹ In this letter, he says he is doubtful about the People's Party manifesto, particularly the third principle, that a national economic plan must be drawn up to ensure the economic well-being of the people, and the new government must provide work for every citizen and will not allow people to starve. The reason why he is doubtful about the government's economic plan is that bureaucrats are neither familiar with nor expert in agriculture, industry or commerce. Even though they have some knowledge, this knowledge is based on foreign textbooks. In fact, commerce, industry and handicrafts were almost entirely in the hands of foreigners in Siam and most of the people were farmers. The important point is that Mangkorn saw the root of the problem as a lack of bureaucrats who have the minds to promote industry, rather than their lack of knowledge.

Mangkorn made several statements in the Assembly in 1932 and 1933.¹² On 26 August 1933 he mentioned that his economic plan was

¹⁰ Eiji Murashima, 'Democracy and the Development of Political Parties in Thailand 1932-1945' in Eiji Murashima, Nakharin Mektrairat, Somkiat wanthana, *The Making of Modern Thai Political Parties*, Tokyo, Institute of Developing Economics, 1991, p.53.

¹¹ S.R.0201.8/18. N.A.

¹² Mangkorn's statements are recorded in Minutes of the National Assembly (Raigankanprachum saphaphuthaenradsadorn), Samaithi 20/2475, 55/2475, 4/2476, 14/2476, 21/2476, 24/2476 and 21/2477.

submitted to the Assembly.¹³ Pridi also referred to Mangkorn's plan, saying that it was the duty of the People's Party to examine it.¹⁴ On 17 August 1933 he proposed a decree to insure farm land for damage.¹⁵ His sympathy for the lower class of civil servant caused him to propose a kind of social insurance system for them on 16 February 1935.¹⁶

His last statement concerned the tin problem. The main argument concerned the participation of Siam in the tin cartel which imposed quotas on production. When Siam joined the cartel in July 1931, its quota was fixed at 10,000 tons, only 5 per cent below the 1929 production, and it was to be exempt from any subsequent restriction on production.

During the life of the tin cartel Thailand succeeded in obtaining extremely favourable quotas. The government had a strong bargaining position which it exploited successfully.....Thailand was a relatively small producer (6 percent of world production in 1929), but she was the fourth largest tin producer and, to add the crucial fact, her tin-producing districts lay just across an unguarded border from Malayan tin-producing districts. The success of the cartel scheme might well have been endangered by tin smuggled into Thailand and sold as Thai tin.¹⁷

Mangkorn made two points in the Assembly. The first was that the mining bill in 1930 was inhuman, that the labour, and that not Thais but foreigners, especially Chinese, were forced to work in very bad conditions. He aimed to improve the working condition of the mining labourer. The second was about the quota. He asserted that Siam should not join the tin cartel. The government stated that the quota guaranteed the price of tin; but most merchants doubted this explanation. Luang Wichitwathakan opposed Mangkorn, explaining that the purpose of the tin cartel was to protect the tin market from a sharp fall in price. Even though Wichit supported the quota

13 Ibid., 20/2475. There is no record of how his economic plan was discussed in the Assembly.

14 Ibid.

15 Ibid., 14/2476. His proposal for insurance had nothing to do with the government's budget because the farmers would pay for their own insurance.

16 Ibid., 21/2477.

17 James C. Ingram, *Economic Change in Thailand 1850-1970*, Stanford, Stanford University Press, 1964, p.109.

system, he asserted that Siam should not accept an unfair quota. Mangkorn urged the government to form a special committee, including civil servants and experts, to discuss the matter.

The assembly in the 1930s had at least two functions: it was an extra-bureaucratic body which could attack the government with a no-confidence vote, and it was a forum for open debate on various issues. Pasuk and Baker, and Riggs slide over those important aspects.

How were the economic plans treated by the government? How did the various government departments handle these proposals? Did the departments have the machinery or expertise to make use of them? Were they a source of tension between ministers? In what ways did political and administrative considerations account for the delay in the implementation of new economic proposals? It is difficult to give clear-cut answers to these questions, because the relevant documents in the Thai National Archives unfortunately did not contain sufficient information. There are some documents relating to Phra Sarasas, Kimpong Thongthat, Phraya Suriyanuwat, Komarakun and Wilat Osathanon. However, British Foreign Office documents cover the responses to Pridi, Phra Sarasas and other plans.

The first point is to examine how the economic plans were treated by the government. Did the government consider them carefully or ignore them? The delay in the implementation of economic proposals by the government in the 1930s might give the impression that the government showed little interest in economic matters, in spite of the many plans after 1932. However, the proceedings of the Assembly suggest that severe argument took place in the government.

Besides such discussions, the Siamese government carried out

several economic surveys, often hiring foreign experts. For example, van der Heide and his irrigation scheme in 1903, Dr. Zimmerman's rural economic survey in 1930/31, James Andrew's rural economic survey in 1934/35 and Phra Sarasas' economic survey in 1934/35. Despite comprehensive work and several useful suggestions and recommendations being made to the government by the experts, the government was slow in implementation. For example, van der Heide's large-scale irrigation proposals in 1903 were eventually rejected by the government. Zimmerman's rural economic survey in 1930/31 recommended to the government that it diversify into cotton, tobacco and peanuts in order not to rely on rice alone, but little was done.

In order to understand the reasons for the delays, it is useful to see the period after 1932 as one of complex confrontations. There were at least four major confrontations, which were closely related to each other and sometimes overlapped. The first appeared between the bureaucracy and the private sector. According to Riggs, the bureaucracy did not think much of those in the private sector, like merchants, lawyers, newspaper writers and factory owners. The bureaucracy ignored most of the suggestions from such people, and focused on the power struggle between their various cliques. In general, these suggestions came in the form of petitions and the government paid little attention to them. However, in spite of the concentration of power in the bureaucracy, the new social strata including the press and the middle class showed a keen concern with Siamese political, economic, and social issues, as examined in Chapter 5.

The second confrontation took place between the Siamese elite and the middle class. The rapid change in institutional structures after 1932 gave wider opportunities for the ordinary Siamese to air their concerns on various matters relating to politics, economy, society and education. Before 1932, public participation had been quite limited. For example, economic matters

were considered in cabinet meetings, various ministries and the Board of Commercial Development, but these institutions were dominated by the Siamese royal family and the Sakdina class. Only petitions to the King or the newspapers reflected middle class opinions. However, after 1932, the creation of the National Assembly brought about a wider argument on political, economic and social issues. The elected and appointed representatives raised vital themes such as the political system or economic nationalism in the Assembly. In addition, regional representatives, particularly from the Northeast, challenged the government by revealing the crown lands scandal in 1937.¹⁸

The third confrontation appeared in economic policy and centred on state intervention vs private enterprise. This confrontation first appeared in economic plans. For example, Pridi and Phra Sarasas against Mangkorn and J.P. England. The fundamental stance of the government was not to foster private business. Many examples, such as Pho Kha Thai (Thai merchants), the Siamese Chamber of Commerce and the business crisis of Nai Lert were examined in Chapter 5, and showed a cool response from government. But the important point is that, in spite of ideological differences within the Siamese elite, the radical group of Pridi and Phra Sarasas and the conservative group of Mano and Komarakun both felt that the state should be a major player in the economic field.

The last confrontation focused on whether to attack agricultural problems or foster private commerce and industry. This confrontation appeared in the economic plans - Pridi, Phra Sarasas, Mano and Komarakun against Mangkorn, the Siamese Chamber of Commerce and Pho Kha Thai (Thai merchants). Farmers were much more important than business for the government, the latter did not have any great influence on government

¹⁸ See details in Judith A. Stowe, *Siam becomes Thailand: A Story of Intrigue*, Honolulu: University of Hawaii Press, 1991, pp.95-98.

policy at all. This was discussed in Chapter 5. Although a new type of merchant saw the period after 1932 as a golden opportunity to start and expand businesses, they were small and medium sized merchants, not established or wealthy like Lamsam. They had no close connections with the People's Party. From this point of view, their advocacy of economic nationalism might have been an ideal slogan to justify the expansion of their business, a reflection of their ambition to gain political and economic power.

The government response to some of the plans should be mentioned here. Regarding Pridi's plan, the government response was briefly noted in Chapter 1 and Chapter 3. However, there is one more point, Phraya Mano's comment on Pridi's plan. Phraya Mano's comments were seen in the minutes of the meeting of a committee to consider Pridi's plan on 12 March 1933.¹⁹ Mano, the prime minister, strongly opposed Pridi's plan in principle but his wish to support the co-operatives was clear:

But if I believe that the course decided upon here leads to ruin, I shall have to oppose it. And if it is carried over my head I shall have no recourse but to resign. But if we agree to announce merely that we are going to enlarge the credit facilities of the co-operative societies of the sort that are now serving the farmers, or that we are going to enlarge the co-operative society stores, I am willing to agree to that much.²⁰

He added: 'The granaries, the business of transportation, and the rice mills, shall be organised as government-owned corporations.'²¹ These quotations indicate the gist of Mano's plan of 1934 and show that state intervention in the economy was advocated by Pridi and Mano in spite of their ideological differences.

Another response to Pridi's plan was that of the British Minister to Siam. J. Crosby, the British Minister, had the impression that Pridi was not a communist.

¹⁹ Thak Chaloemtiarana (ed.), *Thai Politics: Extracts and Documents 1932-1957*, Bangkok, Social Science Association of Thailand, 1978, pp.161-185.

²⁰ Ibid., pp.180-181.

²¹ Ibid., p.184.

After perusing Luang Pradit's manifesto I have come to the conclusion that he is not, strictly speaking, a Communist after all. At least, I can find in his programme no reference to the class war, to the elimination of the *bourgeoisie* or to the assumption of power by the proletariat, which are, I believe, distinctive features of the gospel preached by Karl Marx.²²

But he criticised Pridi's plan:

But even so, and whilst it is no business of mine to discuss the soundness in principle, or the practicability of the views entertained by advanced Socialists at home, I would submit that any attempt to put them into execution by persons of Luang Pradit can only spell ruin for a country like Siam, which has but just emerged from a regime of absolute monarchy and in which there exists as yet neither a true public opinion nor any experience of the working of democratic institutions. The features which strike one chiefly on reading Luang Pradit's programme of action are his childish method of approach to socialism, the naive manner in which he marshals his arguments on behalf of it and, above all, his confident assumption that the new Economic State can be fashioned here and now all of a piece.²³

The most severe criticism appeared from the King, Rama 7, in the form of a lengthy paper which attacked Pridi's plan in detail.²⁴ He argued that Pridi's plan would not be suitable for Siam because it denied the individual's rights by nationalisation of land, capital and labour. The conclusion of this paper was harsh:

However, what I know for a certainty is that the proposed economic plan is identical to that of Russia's. What is not certain is who the imitator is; does Stalin imitate Luang Pradit or vice versa? Indeed, their economic plans are identical in every detail. The differences are only in names: Russian-Thai; wheat-rice; the same thing is to be feared; the same method to deceive people is utilised.....Therefore, if this economic plan is to be administered in our country, our government is helping to support the Third International whose purpose is to change the world to communism move closer to its target.²⁵

The King added: 'There are plenty of other ways available to help the people, like persuading them to set up cooperatives like they are doing in Denmark.'²⁶

In February 1934 a special commission was set up by the government

22 Crosby to FO No. 182, 1 September 1934, F6016/123/40, FO371/18208, PRO.

23 Ibid.

24 Thak Chaloemtiarana (ed.), *Thai Politics: Extracts and Documents 1932-1957*, Bangkok, Social Science Association of Thailand, 1978, pp.193-236.

25 Ibid., pp.234-5.

26 Ibid., p.236.

to investigate whether Pridi was a communist.²⁷ For this commission, two foreign experts, Robert Holland and Monsieur R. Guyon, were requested to draw up a joint memorandum to define the features of communism and they asked Pridi various questions on political, financial, social and economic issues. After this investigation, Pridi was cleared of being a communist. But it is easy to see the severe damage caused by this ideological conflict.

There was also confrontation with foreign advisers over Phra Sarasas' plan, discussed in Chapter 3. In general, the foreign advisers and community were keen to maintain their vested interests and attacked any plan which might intervene in foreign business. The Financial Adviser severely attacked Phra Sarasas' plan. James Baxter, the British Financial Adviser, sent three letters to the State Councillor for Finance regarding Phra Sarasas' plan.²⁸ Baxter considered the core of the plan to be National Bank and raised forty questions on that issue in order to attack Phra Sarasas.²⁹ He also sent in general comments on the plan.³⁰

It is not an exaggeration to say that it aims at introducing fundamental changes in the existing economic structure.....Proposals of such radical import cannot be accepted and claims of such high nature cannot be admitted except after careful and detailed consideration.³¹

Baxter attacked the vague vision of Phra Sarasas's national bank. Baxter made a clear distinction between a national bank and a central bank, and concluded that Phra Sarasas' national bank was not a central bank. He questioned how a state-controlled national bank could acquire 49% of its capital from the private sector.

Baxter's strong criticism appeared in his letter to the State Councillor

27 Ibid., p.186-192.

28 K.Kh.0301.1.37/86.N.A. The dates of these letters were; 14 May 1934, 4 June 1934; and 29 June 1934.

29 Ibid., Forty questions were filed in the letter 14 May 1934.

30 Ibid. Baxter wrote general comments on Phra Sarasas' plan on 11 June 1934.

31 Ibid.

for Finance on 29 June 1934.³²

You share my view on the fundamental unsoundness of proposals at the heart of Phra Sarasas's programme. I believe that its adoption or rather its execution - a very different matter - would mean economic and financial ruin to Siam. If I were a Siamese I would fight it to the last ditch. There is no step from which I would recoil and no risk should decline to run to ensure that the Plan was rejected.

The government response to the other plans and proposals is difficult to uncover because of the incomplete documents in the Thai National Archives. Some documents, however, indicate how the government in cabinet meetings and how various ministers responded to some plans. The files on Komarakun, Mano and Wilat Osathanon, and the central bank plan of Kimpong Thongthat and Phraya Suriyanuwat contain some information. Kimpong's file has sufficient evidence as to how the government responded. There are fourteen official letters there regarding his plan.³³ Three institutions, the cabinet, the Economic Council and the Ministry of Economic Affairs were involved with the plan. The Economic Council could not reach a conclusion in spite of several meetings.³⁴ The Ministry of Economic Affairs supported the plan despite the final opposition of the Economic Council.³⁵

Other documents suggest that the cabinet dealt with some plans. For example, the cabinet requested that Wilat's plan be discussed in the Ministry of Economic Affairs.³⁶ Suriyanuwat's central bank plan was sent to the cabinet, the Ministry of the Interior and the adviser of the Office of the President of the Council of Ministers.³⁷ Baxter, the Financial Adviser, was

32 Ibid. The letter was written by James Baxter to Chao Phya Sridharmadhibes on 29 June 1934.

33 S.R.0201.50.2/3.N.A.

34 Ibid. The cabinet meeting on 12 June 1935 pointed out that the Economic Council had not come to a conclusion on Kimpong's plan. The meeting of the Economic Council on 3 July 1935 finally opposed Kimpong's plan.

35 Ibid. This is the letter from the Minister of Economic Affairs to the Prime Minister, 18 July 1935.

36 S.R.0201.25/738.N.A.

37 (2)S.R.00201.50.2/2.N.A.

again negative towards Suriyanuwat's plan.³⁸ This attitude was persistent, that Siam was not then in a position to set up a central bank. This kind of argument was analysed in Chapter 7, together with Pridi's attempt to set up the National Banking Bureau, including the Financial Adviser's response.

In addition to the foreign advisers's opposition, the Ministry of Finance persisted in its conservative principle to maintain balanced budgets and to be cautious over capital-intensive projects. This attitude was seen in Boriphanyutthakit's plan for the Thai Rice Company in Chapter 4. There was also tension over the decision whether Siam should remain on the gold standard when Britain left gold on 21 September 1931.

The government's slow implementation of economic plans in the 1930s is clear. A typical case was the cooperative movement, as shown in Chapter 6. Agricultural development, based on cooperatives, was a major theme in the 1930s in most of the plans. However, only slow and experimental implementation was carried out after 1932. Political instability, lack of clear ideology, the existence of the Sakdina System and the lack of fiscal autonomy explained Siam's economic underdevelopment in Chapter 1, and several further economic factors were mentioned in Chapter 2. It is also a fact that the government set up several committees, including the Economic Council, and carried out several economic surveys. Discussion in several related ministries or in various committees delayed a final decision. Complicated and unclear decision-making in the government in the 1960s was explained in Riggs' account. Even though this model was concerned with that later period the 1960s, it might be useful for the 1930s. Riggs explained the operational code of a bureaucratic polity.

As much as possible, reduce the work load for officials. This refers especially to the content of bureaucratic work -i.e., avoid the necessity of making hard decisions, of having to choose between alternatives which would necessarily alienate and antagonise other officials,

³⁸ Ibid. Phraya Suriyanuwat noted Baxter's opposition to his plan in a letter to the Prime Minister on 16 June 1934.

especially those in the hierarchy.³⁹

These features had appeared by the 1930s. My study shows that several committees, like the Economic Council, were set up, and discussion of economic issues by foreign and Siamese experts took place. In addition, several economic surveys, including that by Zimmerman, were carried out in the 1930s. However, the process of decision-making was not clear, as Riggs found out in the 1960s, although there is far less evidence on which to judge the performance of the bureaucracy in the 1930s.

The last part of the conclusion is concerned with economic nationalism. Economic nationalism was prominent in most plans. Economic nationalism implied either the adoption of a self-sufficient economic system or anti-Chinese and anti-foreigner sentiments. The former was discussed in the economic plans of the Siamese élite but the latter was argued by various social groups, including the middle class. Pridi and Mangkorn supported a self-sufficient economic system in different ways, Pridi for socialism, Mangkorn for capitalism. In spite of their ideological differences, their main goal was to foster infant industries and reduce unnecessary imports, particularly of luxury goods. Mangkorn gave many examples of import substitution industries: food stuffs, canned milk, sugar and molasses, flour, raw materials, kerosene, benzine, light industry products, rubber products, electrical appliances and matches, gunny bags, machinery, metals, paper, cotton products and tobacco. The new government responded to these import substitution proposals by starting to produce cotton, sugar and paper as ministry projects in the mid-1930s. Mangkorn's plan encouraged the government to promote import substitution. It is not clear whether the initial state enterprises in the mid -1930s had the clear purpose of creating a self-

³⁹ Fred W Riggs, *Thailand: The Modernisation of a Bureaucratic Polity*, Honolulu, East-West Center Press, 1966, p.327.

sufficient economic system or were just an experiment to expand the economic base of the People's Party, particularly among army groups. This needs to be further studied. But it is clear that the mid-1930s was a turning point, at which leaders of the People's Party shifted from non-intervention to state intervention in the economy.

Anti-Chinese and anti-foreigner feelings were also expressed by various social groups. For example, Pridi and Mangkorn raised this issue when arguing that a self-sufficient economy and import substitution would remove Chinese and foreign economic dominance. But neither condemned foreigners directly, perhaps because they feared causing trouble in the foreign community in Siam. In contrast, Phra Sarasas could be more hostile to foreign capital.

The middle class expressed their economic nationalism more directly. Some were simply anti-Chinese, but a few authors were more precise, as for example, in Thanim Laohawilai and Sawien Osathanukhrow's plan for 'Samakhom Bamrung Sinkha Thai', Wichien Supakarn's idea for a 'Samakhom Sinkha Thai', or Luang Wuthithonnetirak's plan to set up a 'Samakhom Bamrung Setthakit' to encourage Thais to buy more Thai products.⁴⁰

In National Archives file S.R. 0201.25 (Rongrian lae Sanukhwamkhithen, Petitions, proposals, opinions) there are many documents from members of the middle class. In total, 804 documents were submitted from 1932 to 1939, but the years 1932 and 1933 accounted for about 90% of that total.⁴¹ In their proposals and ideas, the middle class were positive.⁴² Topics included the economy, taxes, the bureaucracy and

⁴⁰ (2)S.R.0201.52/2.N.A.; S.R.0201.25/80. N.A.; S.R.0201.25/83.N.A.

⁴¹ This figure is based on my own calculation, using the index of N.A. S.R.0201.25. The details: 450 in 1932, 26 in 1932/33, 238 in 1933, 5 in 1933/34.

⁴² For example, in Sanukhwamhen: in 1932 there were 59 by Nai, 7 by Khun, 14 by Luang, 6 by Phra, 4 by Phraya and 1 by a Caophraya. In 1933, there were 45 by Nai, 3 by Khun, 7 by Luang, 2 by Phra and 4 by Phraya.

ministries, education, law and salaries.

Economic topics were the major subject. During the years 1932 and 1933, 130 documents concerning the Siamese economy were submitted,⁴³ accounting for about 18% of the documents presented in 1932 and 1933. In the 130 documents, commoners and the middle class wrote on various issues: tax, poverty, economic nationalism, finance, development, rural problems, manufacturing industry, commerce, how to reduce expenses, how to deal with the economic crisis, private companies, the Ministries of Finance and Economic Affairs, transportation and labour. With respect to rural problems, most attention was paid to setting-up rice mills, the price of rice, how to deal with the farmer's debts, export marketing and cooperatives. It is important to emphasize that the arguments by the middle class were as lively as those of the Siamese élite or those of the government.

It is clear that economic nationalism was already rife within the middle class in 1932. However, it was emotional, not intellectual, not well thought-out. Anti-Chinese feelings, setting-up a rice mill by Siamese, a proposal to use not foreign products but Thai ones and the establishment of a self-sufficient economy were the main themes. Economic nationalism was not simply a product of Rama 6. In 1932, it was a common theme of the Siamese élite and the Siamese middle class.

The origins of economic nationalism have been discussed by various scholars, it remains a complex issue.

In the English-language literature, there are several studies of Siamese economic nationalism, among them, 'Thai Nationalism and Identity: Popular Themes of the 1930s', by B.J. Terwiel.⁴⁴

[There are] two widely-held assumptions. One is that the attempt at nation building

⁴³ This figure is calculated from the index of S.R. 0201.25. N.A.

⁴⁴ B. J. Terwiel, 'Thai Nationalism and Identity: Popular Themes of the 1930s', in C. J. Reynolds, (ed), *National Identity and Its Defenders: Thailand, 1939-1989*, Chiang Mai: Silkworm Books, 1993, pp.133-155.

under Rama VI halted with his death in 1925. The second assumption is that in 1939, after fourteen years of neglect, the attempt to build nationalism was taken up again. These assumptions are based, consciously or unconsciously upon the idea that Thai history can be meaningfully periodized in the rise and fall of particular individuals (in this case Rama VI and Phibun Songkhram).⁴⁵

There are several studies which focus on Thai nationalism by looking at an individual figure. The first is W. F. Vella, *Chaiyo! King Vajiravudh and the Development of Thai Nationalism*, Honolulu: University of Hawaii Press, 1978. His main concern was how Rama VI tried to foster a spirit of nationalism among the Thai through various mechanisms, including the establishment of the Wild Tiger Corps, and his plays, poems, speeches and articles. Although Vella stressed Rama VI's ideological approach to nationalism, he also noted Rama VI's economic nationalism.⁴⁶ With respect to the economic nationalism of the late 1930s, there are two accounts: Kobkua Suwannathat-Pian (1995), *Thailand's Durable Premier: Phibun through Three Decades 1932-1957*, Kuala Lumpur: Oxford University Press; and Thak Chaloemtiarana (ed.) (1978), *Thai Politics, 1932-57*, Bangkok: Social Science Association of Thailand.⁴⁷ Kobkua argues:

In essence, Phibun's central theme of nation-building embraced nationalism and patriotism as an overall ideological force knitting together various activities while the socio-cultural and economic reforms provided the instruments for transforming ideas into reality.⁴⁸ Vella and Kobkua show how these two figures initiated nationalist issues. This was a 'top-heavy' nationalism.

Recent work indirectly suggests that 1932 saw the birth of economic nationalism. For example, there is Pasuk Phongpaichit and Chris Baker (1995), *Thailand: Economy and Politics*, Kuala Lumpur, Oxford University

⁴⁵ Ibid., p.134.

⁴⁶ Walter F. Vella, *Chaiyo! King Vajiravudh and the Development of Thai Nationalism*, Honolulu: University of Hawaii Press, 1978, pp.167-175.

⁴⁷ In the former, Chapter 3, 'Socio-cultural Reform', pp.102-162. In the latter, Thinaphan Nakhata, 'National Consolidation and Nation-Building, 1939-1947'; 'On Nationalism', see pp.243-322.

⁴⁸ Kobkua Suwannathat-Pian, *Thailand's Durable Premier: Phibun through Three Decades 1932-1957*, Kuala Lumpur: Oxford University Press, 1995, p.105.

Press.⁴⁹ Akira Suehiro (1989), *Capital Accumulation in Thailand 1855-1985*, Tokyo: Centre for East Asian Cultural Studies, examines economic nationalism from 1932 to 1947.⁵⁰ These two works introduce the various authors, Mangkorn Samsen and Pridi, and follow the various economic policy changes from 1932.

Following the above, there are now three views on the origins of economic nationalism: that it was born in the reign of Rama VI (1910-1925), in the 1932 revolution, and in 1939. But the main argument concerns the continuity or discontinuity between these periods. It is important to note that the key figures in each period were different, and that the character of economic nationalism changed slightly or drastically from period to period. To put it another way, the major figures changed, from the king, to the Siamese élite and the middle class in 1932, to Phibun in 1939. Therefore the character of economic nationalism also changed between these periods. Regarding the nationalism of Rama VI, Anderson noted:

The target of this nationalism, however, was neither the United Kingdom, which controlled 90 per cent of Siam's trade, nor France, which had recently made off with easterly segments of the old realm: it was the Chinese whom his father had so recently and blithely imported. The style of his anti-Chinese stance is suggested by the titles of two of his most famous pamphlets: *The Jews of the Orient* (1914), and *Clogs on Our Wheels* (1915).⁵¹

Anderson also pointed out that Rama VI's nationalism was an official nationalism.

It goes without saying that Wachirawut also began moving all the policy levers of official nationalism: compulsory state-controlled primary education, state-organized propaganda, official rewriting of history, militarism - here more visible show than the real thing - and endless

⁴⁹ Pasuk Phongpaichit, Chris Baker, *Thailand: Economy and Politics*, Kuala Lumpur: Oxford University Press, 1995. Chapter 4, 'Rice Barons, Bankers, and Generals', notably pp.112-117.

⁵⁰ Akira Suehiro, *Capital Accumulation in Thailand 1855-1985*, Tokyo: Centre for East Asian Cultural Studies, 1989. See Chapter 4, 'Economic Nationalism: 1932-1947', pp.106-134.

⁵¹ Benedict Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, London: Verso, 1996, p.100.

affirmations of the identity of dynasty and nation.⁵²

Concerning the economic nationalism of Rama VI, Vella draws attention to his views on poverty in Siam, his view that defence was more important than economic development, his lack of interest or knowledge of economics and finance. Vella pointed out that Rama VI did not favour government participation in the economy, arguing that this was the concern of the people, businessmen and farmers. 'It was the responsibility of all the people to improve Siam's economic lot. Businessmen should invest in Siamese industries. Farmers should plant crops to compete with imports. And consumers should buy Thai products whenever possible.'⁵³

In 1932 the character of economic nationalism changed, and the new Siamese élite and the middle class proposed different views. The key figures were Mangkorn Samsen, Pridi, Phra Sarasas and various members of the middle class. As already examined in Chapters 3 and 4, state intervention in the economy on the basis of socialism can be seen in Pridi and Phra Sarasas. In Mangkorn Samsen, economic self-sufficiency, relying on import substitution, and a major role for private enterprise. In the conservative group, respect for private ownership and property. This was a crucial change from Rama VI. A more important point was that now that the focus of economic nationalism was to save the farmers, the majority of the people, from poverty, by eliminating or reducing the power of Chinese middlemen and money lenders. This implied two major changes from Rama VI. The farmer's poverty was given priority by the new government in 1932; Rama VI had ignored the farmer's poverty. Rama VI's nationalism was strongly anti-Chinese: now it concentrated on reducing Chinese economic power. There were now practical measures to deal with the Chinese problem.

In 1939 these measures came into force, under the Phibun

⁵² Ibid., p.101.

⁵³ Walter F Vella, *Chaiyoi King Vajiravudh and the Development of Thai Nationalism*, Honolulu: University of Hawaii Press, 1978, p.174.

government. Phibun's nationalism, including *Ratthaniyom*, the State Degrees, is closely examined in Kobkua.⁵⁴ But Kobkua does not fully explore the relationship between the economic nationalism of 1932 and that of Phibun in 1939.

Phibun's economic nationalism is said to be influenced by the socio-economic environment of the majority of the Promoters who, on the whole, belonged to the petty bourgeois class. Both Phibun and his leading adviser, Wichitwathakan, for example, were members of that class. It was therefore logical that having rejected the ideas of utilising the peasantry as their main political power base, as suggested by Pridi in his Economic Plan, and having also rejected the co-operation of the old ruling clique who still wielded great influence over the bourgeois and foreign compradores and entrepreneurs, the People's Party under Phibun's leadership decided to identify as their power base the petty bourgeois class from within and outside the bureaucratic system.⁵⁵

An important argument here is the role of Wichitwathakan in Phibun's economic policy. Kobkua stresses Wichitwathakan's influence on Phibun.

The intellectual force behind this economic blueprint was Wichitwathakan, whose thoughts on the nationalist economic system were well expounded in his book, *Anakhot*. In sum, Wichitwathakan's economic proposals rejected both the old socio-economic of the absolutist days, the Sakdina System, and the socialist system embodied in Pridi's Economic Plan. In their place, he introduced the nationalist economic system based on individual ownership of land, accompanied by the state's effective guidance and supervision.⁵⁶

Barmé's study of Wichitwathakan suggests that in the early 1930s he had been a keen advocate of a free-market approach.⁵⁷ This implies that Wichit changed his views from *laissez-faire*, private enterprise-oriented development, to state intervention in the economy. But he remained committed to individual ownership of land and property. Another argument to be explored is whether Phibun's economic policy was a product only of Wichit.

These three views on the origins of economic nationalism ignore the

⁵⁴ Kobkua Suwannathat-pian, *Thailand's Durable Premier: Phibun through Three Decades 1932-1957*, Kuala Lumpur: Oxford University Press, 1995. See Chapter 3, 'Socio-cultural Reform', pp.102-162.

⁵⁵ Ibid., p.145.

⁵⁶ Ibid., p.145.

⁵⁷ S. Barmé, *Luang Wichit Wathakan and the Creation of a Thai Identity*, Singapore: Institute of Southeast Asian Studies, 1993; see pp.75-80.

relationship between the three periods. It was pointed out by Terwiel that Thai historians usually focus on specific reigns and rulers when describing nationalism.

The history of the various stages of an ideology such as Thai nationalism is not served by this 'on-off' approach. It is much better studied as a phenomenon that, once arisen, moves, changes and develops as one of a range of competing ideologies. Even in the case of particular rulers having an extraordinary preoccupation with nationalism, such as Rama VI, elite-directed nationalism became significant in Thailand's general history mainly because it met with a receptive audience.⁵⁸

Although Terwiel pointed out the defects of the 'on-off' approach, he does not fully explore his own alternative.⁵⁹ For example, when looking at economic nationalism in the 1930s, particularly after 1932, he quoted H. G. Deignan, an American missionary.

During the decade just past the Government has initiated a positive program aimed at raising the standards of living of the common people and especially of the peasants who constitute the great majority..... The political aspect of the program leaned heavily toward economic nationalism, in an endeavour to counteract the excessive proportion of foreign capital in the country and to encourage more active participation by the Thai in the building-up of their own land' (Deignan 1943:18).⁶⁰

Terwiel's criticism of this is:

Deignan and other contemporary analysts have rightly identified the advent of economic nationalism with the outcome of the 1932 revolution. The setting-up of state enterprises, such as the import organisation of the Ministry of Defence (the Fuel Division) and the Siam Cotton Mill in 1933, are the first practical results of this policy. They have failed to observe, however, to what extent this new economic nationalism was linked up both with the much-publicized propaganda of the Sixth Reign and also with the development of a radical reform of Thai nationalism.⁶¹

Terwiel's views can be challenged. The economic nationalism of the 1930s was shared by various social groups, including the élite, the middle

⁵⁸ B. J. Terwiel, 'Thai nationalism and identity: popular themes of the 1930s', in C. J. Reynolds, (ed), *National Identity and Its Defenders: Thailand 1939-1989*, Chiang Mai: Silkworm Books, 1991, p.144.

⁵⁹ Terwiel stressed Chamrat Sarawisut's writings of 1934 and 1935, as strong evidence in support of his argument that 'nation-building' began well before 1939, even before 1936, when Batson thought it began. See the final part of Chamarat's book, *Withi rak chat* (How to Love the Nation), translated on pp.145-148.

⁶⁰ Ibid., p.137.

⁶¹ Ibid., p.137.

class and the mass media. The élite-oriented, top-heavy nationalism of Rama VI had changed, and had become more accessible to the people. Second, the early 1930s economic nationalism should be linked more firmly to Phibun's economic nationalism. Terwiel does not really explain the significance of the economic nationalism of the early 1930s. In spite of criticising the 'on-off' approach, he risks relying too much on a particular source or figure when looking for the origins of economic nationalism in Siam.

Table 8-1 Occupational Distribution of the Assembly 1933-1938			
	Election's Year		
First-category members	1933	1937	1938
Occupation			
1. Businessmen	15	18	20
2. Government Officers	16	38	27
3. Retired Government Officers	11	8	9
4. Lawyers	21	15	24
5. Journalists	3	1	3
6. Physicians and Pharmacists	2	2	-
7. Farmers	8	5	7
8. Teachers	-	2	-
9. Unknown	2	1	1
Total	78	91	91
Second-category members			
	Year of Appointment		
Occupation	1932	1933	
1. Military and Police Officers	18	50	
2. Bureaucrats	44	27	
3. Businessmen	4	1	
4. Others	4	-	
Total	70	78	
(Source) Eiji Murashima, Nakharin Mektrairat, Somkiat wanthana, The Making of Modern Thai Political Parties, Tokyo, Institute of Developing Economics, 1991, p.134, 136.			

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| | R7.Ph.7 Saphaphoeuphaephanit (Board of Commercial Development) |
| | R7.Ph.8 Kanphanit (Commerce) |
| | R7.Ph.9 Sahakon (Cooperative) |
| | R7.RL.19 Nangsuphim (Newspapers) |
| Post -1932 | S.R.0201 Kongklang Samnak Nayokrathamontri |
| | S.R.0201.8 Bukkhonchawthai (Thai individuals) |
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| | S.R.0201.19 Wacang chawtangprathet (hiring foreigners) |
| | S.R.0201.22 Bamnet bamnan (reward, pension) |
| | S.R.0201.25 Rongrian lae sanoeu khwamkithen (petitions and expression of ideas) |
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In the reign of Rama 6, N means Krasuang Nakhonban (Ministry of the Capital) and Kh is Krasuang Phrakhlamgahasombat (Ministry of Finance).

In the reign of Rama 7, M is the Ministry of Interior, Ph is Ministry of Commerce and Communications, B is miscellaneous, and RL is Royal Secretariat. After 1932, SR is Office of the Chief Secretary to the Cabinet, and K.Kh is Office of the Financial Adviser.

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